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BOATING INDUSTRY

$5.00 THE MANAGEMENT MAGAZINE OF THE BOATING INDUSTRY JANUARY 1987

WINTER BOAT SHOWS ISSUE

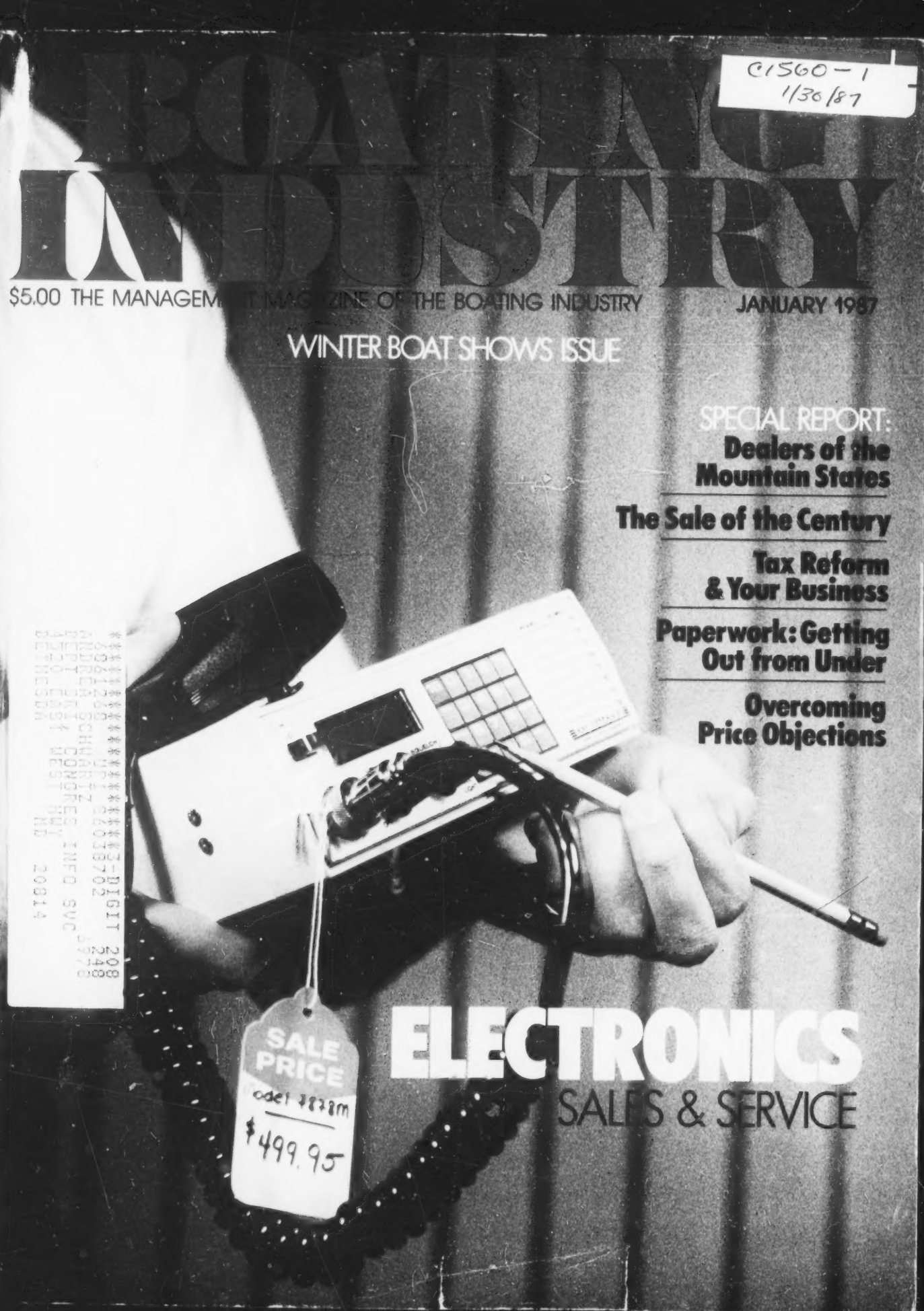
SPECIAL REPORT:
Dealers of the Mountain States

The Sale of the Century

Tax Reform & Your Business

Paperwork: Getting Out from Under

Overcoming Price Objections



ELECTRONICS
SALES & SERVICE

BOATING INDUSTRY

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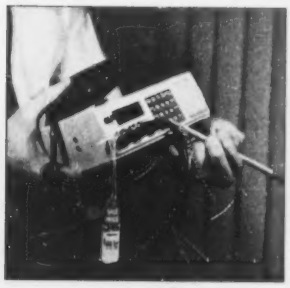

Cover

The dealer's pivotal role in the sale and servicing of marine electronics is the focus of our special report. As sales continue to gain momentum, the marine retailer is being exposed to a host of opportunities.

PHOTO BOUNDAS/RAY JEFFERSON MODEL 7878M VHF/FM RADIO

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The Boating Business: 1986

A statistical report on the market accomplishments recorded by recreational boating in the past year, based on the most current data available from trade associations and recognized authorities.

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Dealers of the Mountain States

The landlocked mountain states form a vast region that is especially appealing to lovers of the outdoors. Despite its rugged beauty and pristine lakes and waterways, it does present marine retailers in that sector of the country with some special challenges.

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Tax Reform & Your Business

The tax overhaul package's long-term impact is uncertain; however, some economists feel that the transition years of 1987-88 may cause some major disruption in how we do business.

77

Overcoming the Price Hurdle

The desire to gain is a powerful motivator, and it is certainly uppermost in a customer's mind when wanting to negotiate a better deal. The professional salesperson knows how to deal successfully with those feelings.

80

The Marine Dealer & Electronics

Competition, always fierce, is reaching new heights as catalog and discount houses offer the perception of lower prices for marine electronics. On a bright note, however, what remains constant is that successful dealers offer personalized care and reliable service.

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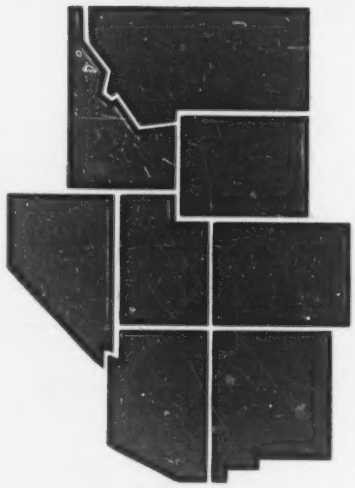
Are You Buried in Paperwork?

Why can one dealer be totally organized throughout the entire season, while another dealer is never organized? There is probably one reason for this predicament: the organization and completion of paperwork is not assigned a top priority.



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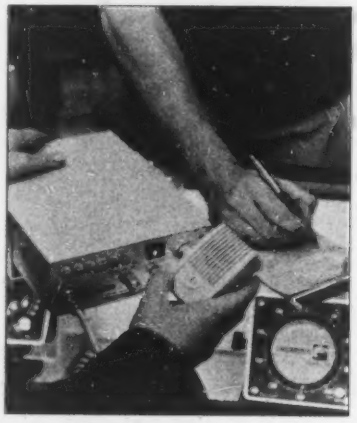

electronics market prospers **80**

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BOATING INDUSTRY

The Boating Business

An annual report on the achievements of the recreational boating industry in the year just past, based on the most current data available. The information presented here by the editors of BOATING INDUSTRY is meant for use as business guidelines in 1987. Some statistics are the result of our own nationwide surveys; others are derived from materials supplied by the National Marine Manufacturers' Association, the U.S. Coast Guard, the U.S. Chamber of Commerce, and individual manufacturers and groups. The industry experienced solid growth in '86, and all indicators point toward continued prosperity in 1987.

1986

1986 Estimates of the Size of the Recreational Boating Industry

ACROSS THE COUNTRY

PEOPLE: 69,310,000 Americans participated in recreational boating in 1986, having used the waterways more than once or twice during the year.

WATER SKIERS: Approximately 13,071,000 went water skiing.

BOATS: 14,285,000 pleasure craft made their way through U.S. waters. The following is a breakdown by boat type and propulsion. Due to this format, the total of these individual estimates will exceed the total pleasure craft population estimate quoted above.

OUTBOARD BOATS: 7,606,000 outboard boats owned in the U.S.

INBOARD BOATS: The 432,000 inboard boats owned include auxiliary-powered sailboats and

boats documented by the U.S. Coast Guard.

SAILBOATS: 1,203,000 sailboats without inboard power were in use in 1986 on all waters.

OPEN-DECK BOATS: An estimated 137,000 pontoon boats were in use.

HOUSEBOATS: 33,500 houseboats were estimated to have been in use.

INBOARD/OUTDRIVE BOATS: There were an estimated 1,074,000 in use at the close of 1986.

MISCELLANEOUS: An estimated 3,799,500 rowboats, canoes, dinghies, prams and other miscellaneous craft were owned at the end of 1986.

OUTBOARD MOTORS: outboard motors were in use during 1986.

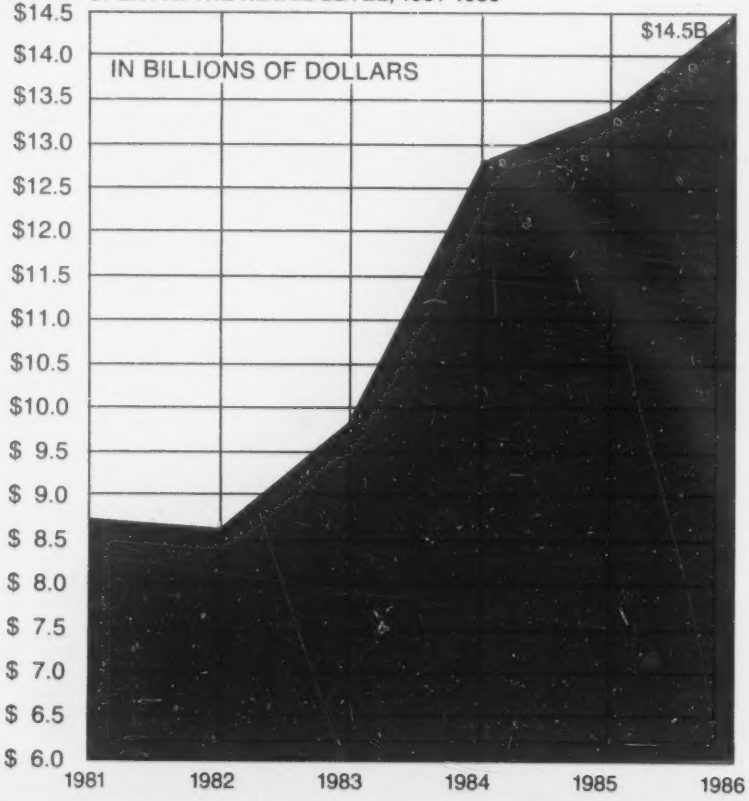
INBOARD ENGINES: Approximately 1,937,000 inboard gasoline and diesel engines were owned, including conversions of automotive engines.

JET DRIVES: By the end of 1986, it is estimated that the number of jet drives in use was 98,000.

BOAT TRAILERS: Approximately 5,336,000 boat trailers were owned in 1986, including those that were both home-made and factory-produced.

MARINAS: Approximately 10,669 marinas, boatyards, yacht clubs, dockominiums, and parks served boaters in the United States during 1985. Marinas, boatyards, and dealer/marina combos accounted for approximately 5,700 units.

SPENT AT THE RETAIL LEVEL, 1981-1986



1986 SALES ESTIMATES

Approximately $14,479,000 was spent at the retail level for new and used boats, motors and engines, accessories, safety equipment, fuel, insurance, docking, maintenance, launching, storage, repairs, and club memberships.

314,000 outboard boats
18,000 inboard boats
120,000 inboard/outdrive boats
16,400 pontoon boats
33,300 non-powered sailboats (excludes sailboards)
60,000 sailboards
3,900 auxiliary-powered sailboats
80,200 canoes
194,000 boat trailers
410,000 outboard motors
30,600 inflatable boats

An Overview of 1986 Boating Highlights

The year just past may very well have been a crossroad for the small producer of boats and boating products. BIG business barreled its way to the forefront of the boating scene in 1986, and its entrenchment has unmistakably altered the business landscape.

It was not totally unexpected. In 1985 almost 100 mergers and acquisitions were consummated in the pleasure-boating industry. These unions ranged from modest acquisitions of small companies, or patents and tooling, to some heavy duty wheeling and dealing, like the founding of the Genmar conglomerate headed by Irwin Jacobs. In 1986 the buying frenzy continued, but the stakes got much higher.

The blockbuster deal of the year, and perhaps in all the history of boating, took place almost at year end in '86 with the dramatic announcement that Mercury Marine's parent company, the Brunswick Corporation based in Skokie, Illinois, had bought both Bayliner Marine and Ray Industries. The ripples created by this mega-transaction are far-reaching indeed, and will exert substantial influence on the marketing strategies of national boating producers whose output must compete with the awesome arsenal of product that will be marketed by the Brunswick empire.

It appears that further consolidation in the producer segment of the industry is inevitable as the proven success of "package" marketing motivates suppliers to pursue game plans culminating in vertical integration.

Fueling the interest of investors in the recreational boating market is the advent of continued, strong growth in the industry's customer base. All indicators point toward a bright future indeed as the industry continues to sharpen its business acumen, produce better products, and aggressively pursues its prime target: the baby boomers.

A LOOK AT OTHER HAPPENINGS IN THE WORLD OF BOATING

- Probably the most predominant concern of dealers and manufacturers alike was the rising cost of doing business, with the escalating cost of liability insurance, as well as scarcity of coverage, playing important roles. At the close of the '86 year, product liability reform remained just one more piece of unfinished business on the congressional agenda. To stem the growing frustration of boating manufacturers facing serious insurance problems, the NMMA developed the infrastructure for a captive insurance company under the NMMA umbrella in '86. The program was scheduled for launch in early 1987.

- The industry reacted swiftly to the safety and sport image problems created by alcohol abuse and boating. Manufacturers, the U.S. Coast Guard, associations, clubs, and other groups joined hands to educate the boating community and reduce the number of alcohol-related mishaps. Late in '86, the U.S. Coast Guard issued proposed rules on alcohol and boating, setting standards and penalties for drunk boaters. Barring unforseen delays, a law should go into effect in the spring of '87.

- Producers with a vested interest in the export market expressed optimism that this battered market is showing signs of recovery. There was a marked improvement in buying activity and inquiries, primarily as a consequence of the weakening U.S. dollar. There has also been stepped up activity in the granting of licenses to produce American goods on foreign soil; especially boats. Export sales organizations are reporting substantial increases in accessory business; a welcome reversal of the disappointing sales picture of the past few years.

- Despite the continued flatness of the sail industry, a re-direction of manufacturers' marketing strategies resulted in a revitalized domestic market for sailboards. Industry analysts are confident that this burgeoning growth will continue, regardless of the downturn in other segments of the sail industry.

- The C'mon Aboard industrywide promotion took a giant stride towards accomplishing its national goals with the announcement that the NMMA would fund the '87 campaign to the tune of $600,000, and would earmark an additional $250,000 in matching grants for local and state trade associations wishing to participate in the promotion's co-op advertising program.

- The hottest market in '87 may well be personal water vehicles. One leading engine manufacturer announced its entry into this market, and more newcomers are expected to join the group.

- The National Marine Manufacturers Association reinforced its position as the premier producer of boat shows in the world by adding two more shows to its stable in '86: the New Orleans Boat Show in Louisiana and America's Outdoor Expo in Knoxville, TN. The two acquisitions brought the number of NMMA show properties up to ten. In addition to an aggressive buying stance, the NMMA also showed a willingness to experiment with show tradition; namely allowing consumers to visit IMTEC last fall, shedding the show's "trade only" status in the process.

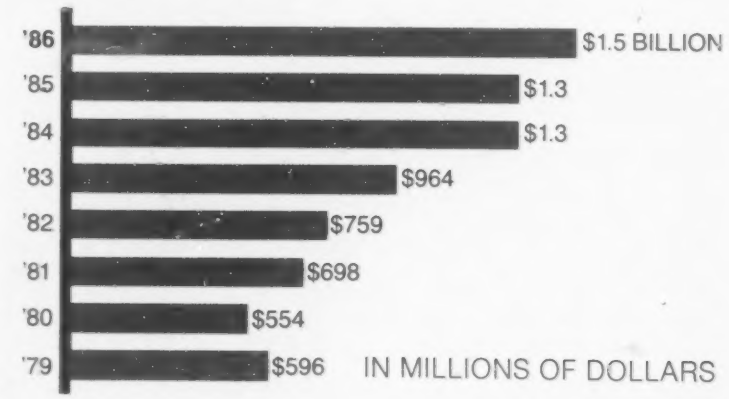
Sales of New Outboard Boats, Motors and Inboard/Outdrive Boats

IN DOLLARS AND UNITS

	1983	1984	1985	1986
$3,570 AVERAGE RETAIL COST OF 1986 OUTBOARD MOTOR				
Total units sold	337,000	411,000	392,000	410,000
Retail value	$963,820,000	$1,293,828,000	$1,319,080,000	$1,463,700,000
Average Value	$2,860	$3,148	$3,365	$3,570
$2,658 AVERAGE RETAIL COST OF 1986 OUTBOARD BOAT				
Total units sold	273,000	317,000	305,000	314,000
Retail value	$501,501,000	$708,178,000	$759,450,000	$834,600,000
Average value	$1,837	$2,234	$2,490	$2,658
$15,508 AVERAGE RETAIL COST OF 1986 INBOARD/OUTDRIVE BOAT				
Total units sold	79,000	108,000	115,000	120,000
Retail value	$974,860,000	$1,442,016,000	$1,663,360,000	$1,860,960,000
Average value	$12,340	$13,352	$14,464	$15,508
$854 AVERAGE RETAIL COST OF 1986 TRAILER				
Total units sold	184,000	200,000	192,000	194,000
Retail value	$121,624,000	$146,800,000	$151,680,000	$165,676,000
Average value	$661	$734	$790	$854

Outboard Motor Sales

Outboard motor sales are on the rise again after two years of unit declines and zero growth in dollars. In '86, sales increased by 9,000 units; the first increase in outboard motors since '84. Dollar sales reached $3.5 billion in '86, a 15% gain over the previous year. The average retail cost of the outboard continues to creep upward, albeit at a slower pace than last year. Price increases averaged 6.5% in '86 versus 7% in '85. Aggressive marketing strategies by an expanding field of outboard suppliers, plus the success of entry-level boat package sales, are broadening the customer base in this market.



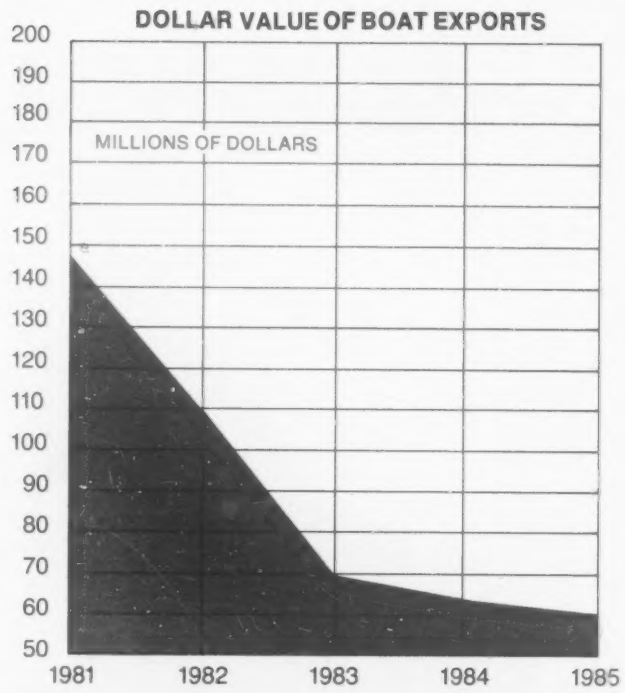
Exports Decline 7.1% in Dollar Value

The export market for United States pleasure boats and recreational boating products declined for the fifth year in a row in 1985; however, the losses sustained continue to dimish.

The retreat of the dollar in relation to other currencies is viewed as signaling an improvement, if not a gradual reversal of the lopsided balance of trade in boats and related equipment. The brightening economic picture for Europe is also lending a helping hand in restoring luster to a faded market.

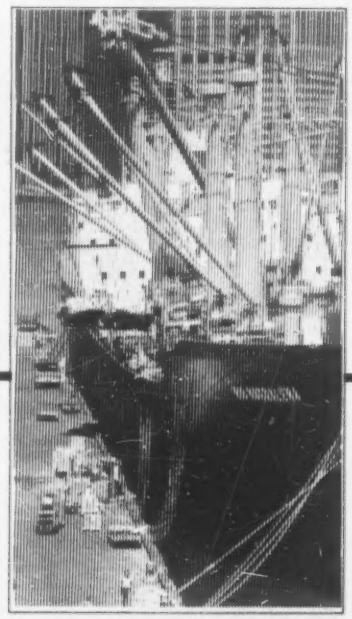
Boatbuilders and accessory manufacturers are currently reporting sizable increases in export sales; in many instances more product was sold in the first six months of '86 than was sold in all of '85.

In terms of dollar volume, the leading markets for American-made recreational boats and boating products were: Canada ($17.7M); Spain ($3.8M); United Arab Emirates ($3.6M); Bahamas ($3.5M); Italy ($3.2M); Japan ($3.1M); United Kingdom ($2.7M); France ($2.1M); Hong Kong ($2.0); and West Germany ($1.8M)



DOLLAR VALUE OF BOAT EXPORTS

Year	Value	% Change
1985	$ 60,596,000	−7.1
1984	$ 65,249,000	−8.8
1983	$ 71,537,000	−37
1982	$113,661,000	−21.7
1981	$145,136,693	−26.0
1980	$154,842,274	+8.9
1979	$142,148,702	+60.2
1978	$ 86,724,112	+13.2
1977	$ 77,983,753	+4.8
1976	$ 74,434,542	+20.5

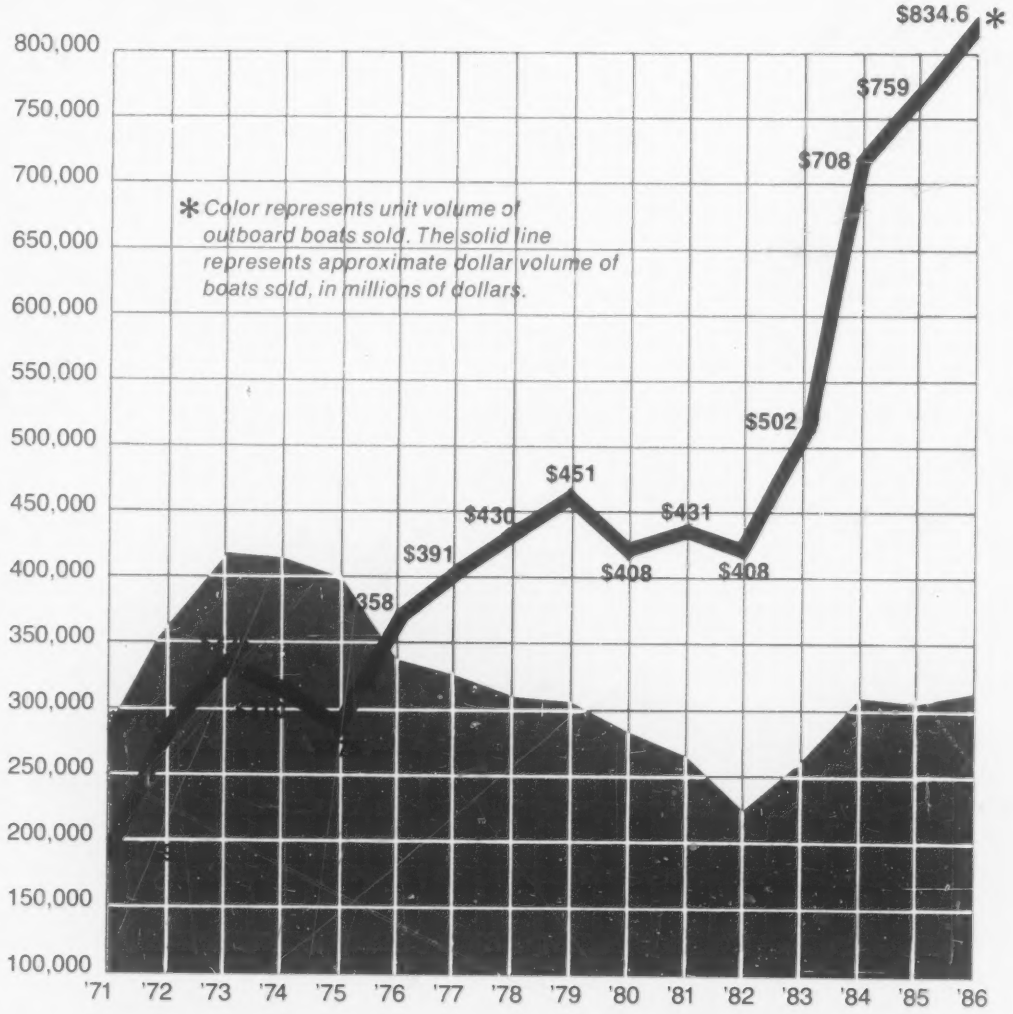


BEST EXPORT MARKETS

The markets listed below appear to be the most promising for U.S. exports of pleasure boats and accessories in the immediate future.

Canada	Japan
Spain	United Kingdom
United Arab Emr.	France
Bahamas	Hong Kong
Italy	West Germany

Outboard Boat Sales Take Upward Turn



In 1986, gains in dollar sales of outboard boats were also accompanied by an increase in unit sales, a reversal of the split gain reported in 1985. Dollar sales in '86 reached the $834.6 million mark; approximately 10% better than the '85 showing. Outboard boat sales ticked upward to 314,000; surpassing '85 sales by 9,000 units or almost a 3% increase.

The increase in both units and dollars was not unexpected, given that boatbuilders are investing more resources in refining their operations, improving the product, and in promoting their lines and the desirability of recreational activities afloat. Outboard manufacturers are making especially heavy expenditures in promoting racing and fishing events to broaden interest and their customer bases, and builders often ride the coattails of their endeavors. It is expected that sales growth will continue to gain momentum in the years ahead, as the baby boomers approach the ideal age to become boating prospects, and the industry aggressively pursues this population sector.

Average Length of Outboard Boats Remains Static at Sixteen Feet

AVERAGE LENGTH

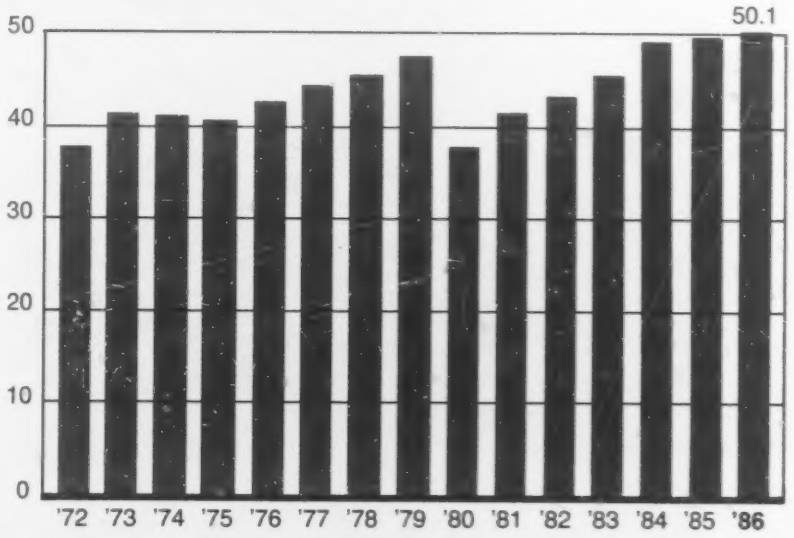
1977	1978	1979	1980	1981	1982	1983	1984	1985	1986
14.9 FEET	15.1 FEET	16.3 FEET	15.8 FEET	15.8 FEET	15.8 FEET	15.8 FEET	16.0 FEET	16.0 FEET	16.0 FEET

In 1985—for the third year in a row—the average length of outboard boats sold remained steady at 16 ft. Volume producers in the boatbuilding business continue to impact the small boat market in a very positive way. The highly successful marketing strategies targeted at the novice mariner have largely been responsible for moving out small boat packages—boat, motor and trailer—by the tens of thousands in the past three years.

There is economic and demographic evidence that there will be a continuing strong market for small powerboats in the years ahead. It is expected, however, that many boatbuilders will be refining their promotion and merchandising efforts to zero in on the enjoyment of activities aboard a boat versus the act of boating per se. This repositioning of marketing strategies is expected to increase penetration of boating's "hot prospect market," and add more steam to powerboat sales. Producers' efforts to broaden the customer base are being complemented by greater marketing awareness and expertise at the retail level.

Outboard Motor Horsepower... An Upward Trend

For the seventh year in a row, the average horsepower of outboard motors sold in 1986 edged upward. Although the 50.1 rating in '86 is only four tenths of a percent higher than the '85 mark, it does set yet another high in average horsepower. Aggressive marketing strategies launched by a growing field of producers, a stronger consumer orientation, and continued investment in research and development continue to power growth in this market sector.



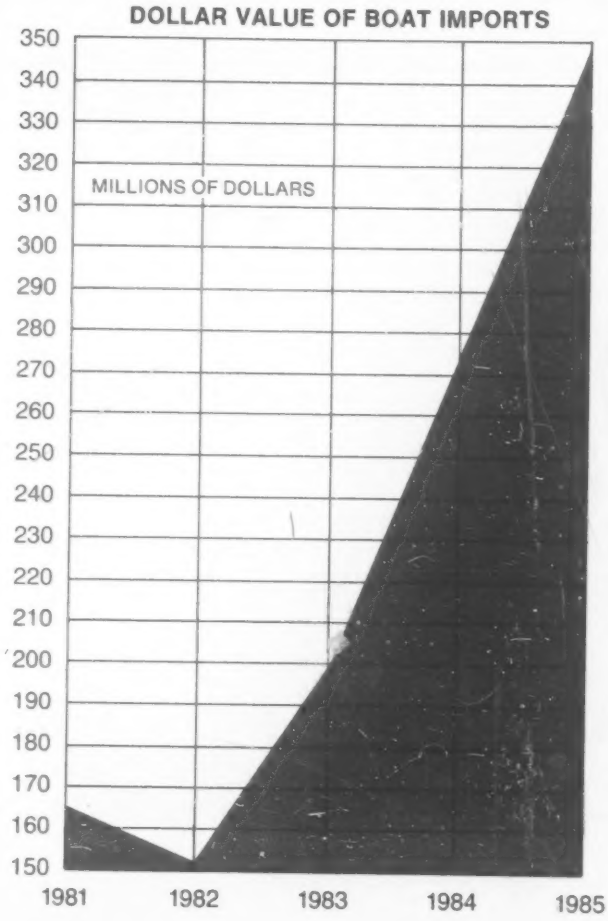
1985 Imports Show Hefty 37% Increase

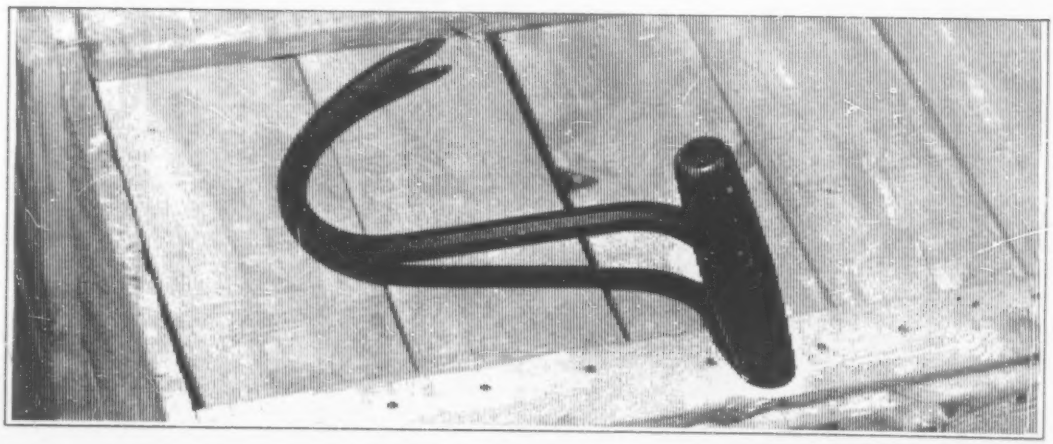
The dollar value of boat imports hit an all-time high in 1985, $350.5 billion; almost six times the level of boat imports a mere ten years ago. Despite the big numbers, it should be noted that the increase in '86 amounted to 23.6% as compared to a whopping 42.2% growth in import dollars in 1984. These are interpreted as showing continued strong interest by the boating consumer in foreign-made craft; however, the softening of the U.S. dollar, and revamped marketing strategies by U.S. builders may be stemming the tide of exports.

The major boat exporters to the United States were: Taiwan ($111.9M); Canada ($37.1M); France ($30.6M); Japan ($26.6M); Italy ($24.4M); Netherlands ($22.4M); U.K. ($18.7M); Finland ($14.5M); Hong Kong ($13.6M); and Singapore ($11.9M).

DOLLAR VALUE OF BOAT IMPORTS

Year	Value	% Change
1985	$350,485,000	+23.6
1984	$283,519,000	+42.2
1983	$199,359,000	+32
1982	$151,225,000	−8.2
1981	$164,712,949	+28.0
1980	$128,233,550	−4.7
1979	$134,541,117	+27.3
1978	$105,657,112	+32.1
1977	$ 79,965,379	+41.4
1976	$ 56,587,692	+9.1





Accidents Up in 1985

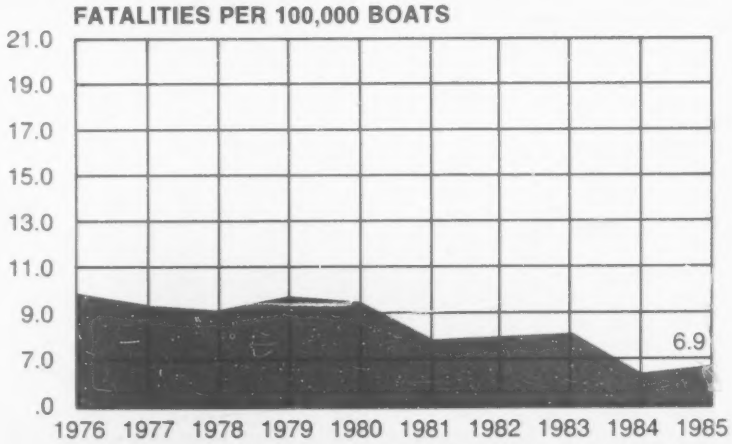
The number of boating accidents reported to the U.S. Coast Guard continued to climb in 1985. There were 6,237 such incidents in '85, an increase of 537 occurrences, or 9.6% over the '84 accident statistics.

Collisions are cited as the most frequent type of boating mishap, followed by capsizing and falls overboard. Property damage and non-fatal injuries in connection with boating accidents showed minimal increases over '85.

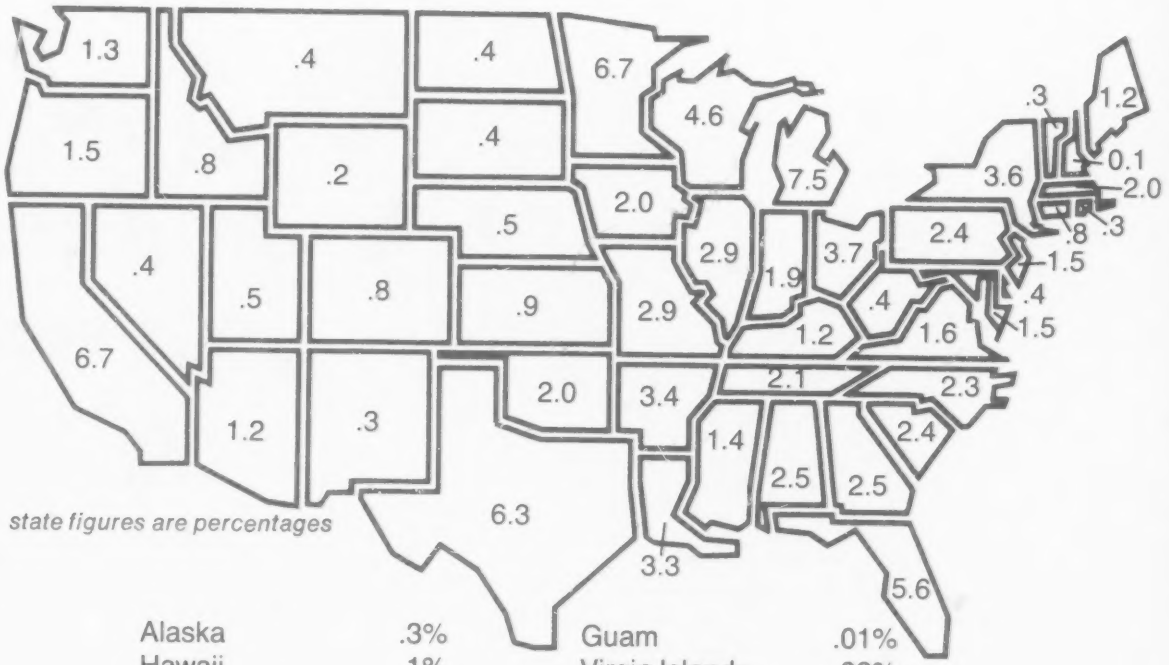
1982	1983	1984	1985	
5,377	5,569	5,700	6,237	boating accidents reported to the Coast Guard
7,071	7,344	7,510	8,305	boats involved in accidents reported to the Coast Guard
1,178	1,241	1,063	1,116	lives lost in boating accidents reported to the Coast Guard
2,682	2,913	2,709	2,757	persons injured non-fatally in boating accidents reported to the Coast Guard

Fatalities Rise Slightly: Death Rate Per 100,000 Boats is 6.9

The fatality rate per 100,000 boats held fairly steady in 1985, showing a slight .1% increase over 1984. the marginal increase is not especially alarming, and indeed, there is optimism that these percentages will decline in the years ahead. Growing public awareness about boating safety, and stepped-up efforts to educate the public about the role of alcohol in boating accidents are expected to bring about the desired decline. Another factor to be weighed in the rise in fatalities is that reporting systems statewide have become more efficient.



Distribution of 9,583,673 Registered Boats by State



Alaska	.3%	Guam	.01%
Hawaii	.1%	Virgin Islands	.03%
Puerto Rico	.2%	American Samoa	.00%
District of Columbia	.04%	Northern Marianas	.01%

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME: Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
NEW ENGLAND—451,765 REGISTERED BOATS 4.71%										
Connecticut	3,175.9	77,078	0.80	41.2	147	618	15,272	32,156	1,154.9	815.0
Maine	1,175.4	119,038	1.24	9.9	2,270	3,478	10,020	20,608	431.2	222.4
Massachusetts	5,847.4	187,822	1.96	31.1	460	1,519	13,498	27,458	2,168.1	1,382.2
New Hampshire	1,000.7	9,339	0.10	107.2	286	131	12,547	26,965	368.2	237.0
Rhode Island	969.5	26,793	0.28	36.2	158	384	12,056	24,872	353.0	211.6
Vermont	537.8	31,695	0.33	17.0	341	—	10,037	20,654	198.2	102.6
MIDDLE ATLANTIC—1,753,209 REGISTERED BOATS 18.29%										
Delaware	621.4	39,875	0.42	15.6	112	381	12,182	25,647	221.4	135.5
District of Columbia	621.0	3,381	0.04	183.7	—	—	15,403	23,808	253.7	146.1
Georgia	5,990.5	241,973	2.52	24.8	854	2,344	10,505	22,490	2,1[illegible].6	1,174.9
Maryland	4,436.4	147,826	1.54	30.0	623	3,190	12,857	29,105	1,5[illegible]	1,066.9
New Jersey	7,618.9	141,196	1.47	54.0	319	1,792	14,237	29,843	2,76[illegible]	1,847.7
New York	17,966.2	340,300	3.55	52.8	1,731	1,850	12,745	24,556	6,676.7	3,916.1
North Carolina	6,304.9	218,019	2.27	28.9	3,826	3,375	9,960	20,362	2,299.0	1,170.2
Pennsylvania	12,012.0	229,044	2.39	52.4	420	89	11,211	22,948	4,492.6	2,538.8
South Carolina	3,396.3	233,890	2.44	14.5	909	2,876	9,159	19,640	611.3	589.4
Virginia	5,785.0	157,705	1.65	36.7	1,063	3,315	12,058	26,494	2,026.3	1,274.6

The source of the figures used in the Effective Buying Income section and Population section are from the July, 1986 issue of *Sales and Marketing Management*. The figures are estimated for 12.31.85.

The source of the figures used in the Inland Water section is the U.S. Bureau of the Census, Areas of the U.S., 1980 State Area Management Print-out.

The source of the Coastal Shoreline figures is the U.S. National Oceanic and Atmospheric Administration, *the Coastline of the U.S.*, 1975.

States	Population (thousands)	Total Registered Boats	% of Total Registered Boats in the U.S.	One Boat Per ( ) Persons	Sq. Miles Inland Water*	Miles of Coastal Shoreline	EFFECTIVE BUYING INCOME Per Capita	Median Household	Total Households (thousands)	Total Households over $20,000 (thousands)
GULF COAST—1,816,503 REGISTERED BOATS 18.95%										
Alabama	4,079.8	233,640	2.44	17.5	938	607	9,085	18,428	1,484.5	688.4
Florida	11,435.2	537,086	5.60	21.3	4,511	5,095	11,600	21,534	4,560.2	2,441.6
Louisiana	4,532.6	315,140	3.29	14.4	3,230	7,721	9,723	20,668	1,586.7	814.7
Mississippi	2,647.3	130,138	1.36	20.3	456	359	7,991	16,448	535.7	379.7
Texas	16,408.7	600,499	6.27	27.3	4,790	3,359	11,439	24,059	5,810.3	3,369.3
EAST CENTRAL—963,276 REGISTERED BOATS 10.05%										
Arkansas	2,401.6	327,226	3.41	7.3	1,109	—	9,034	17,625	874.8	385.8
Kentucky	3,786.2	117,333	1.22	32.3	740	—	9,452	19,128	1,351.2	648.6
Missouri	5,093.8	277,282	2.89	18.4	752	—	11,059	22,415	1,860.5	1025.2
Tennessee	4,793.2	200,582	2.09	23.9	989	—	9,776	19,810	1,764.9	874.5
West Virginia	1,967.9	40,853	0.43	48.2	112	—	8,892	18,167	730.7	333.0
GREAT LAKES—2,609,941 REGISTERED BOATS 27.23%										
Illinois	11,640.4	280,996	2.93	41.4	700	—	12,537	26,269	4,258.7	2,631.2
Indiana	5,585.8	176,887	1.85	31.6	253	—	10,651	23,499	2,004.4	1,158.7
Michigan	9,211.9	716,925	7.48	12.8	1,573	—	11,610	25,329	3,312.5	2,005.5
Minnesota	4,224.3	645,452	6.73	6.5	4,854	—	11,871	24,812	1,549.6	925.9
Ohio	10,836.0	351,394	3.67	30.8	325	—	11,288	23,862	4,019.1	2,339.1
Wisconsin	4,818.0	438,287	4.57	11.0	1,727	—	11,189	23,674	1,780.0	1,034.7
WEST COAST—912,067 REGISTERED BOATS 9.52%										
California	26,345.3	642,987	6.71	41.0	2,407	3,427	13,144	26,557	9,709.5	6,022.4
Oregon	2,709.2	143,373	1.50	18.9	889	1,410	10,455	21,385	1,036.7	552.3
Washington	4,416.7	125,707	1.31	35.1	1,627	3,026	11,880	24,332	1,708.8	1,001.7
MIDWEST MOUNTAINS—1,008,643 REGISTERED BOATS 10.52%										
Arizona	3,252.2	111,702	1.17	29.1	492	—	10,715	21,714	1,241.6	669.4
Colorado	3,269.7	72,415	0.76	45.2	496	—	12,368	25,419	1,273.4	778.4
Idaho	1,029.9	71,148	0.74	14.5	1,153	—	9,404	21,009	351.0	184.4
Iowa	2,942.8	190,118	1.98	15.5	309	—	10,869	21,297	1,121.8	594.8
Kansas	2,470.5	85,018	0.89	29.1	499	—	12,413	23,974	929.4	541.8
Montana	836.7	34,462	0.36	24.3	1,657	—	9,661	19,417	321.6	156.0
Nebraska	1,622.4	49,737	0.52	32.6	711	—	11,419	22,143	608.8	333.7
Nevada	940.9	33,068	0.35	28.5	667	—	12,127	24,180	383.1	225.9
New Mexico	1,475.7	28,260	0.29	52.2	258	—	9,379	19,622	524.2	257.3
North Dakota	699.9	37,598	0.39	18.6	1,403	—	11,607	23,978	247.7	144.5
Oklahoma	3,356.0	193,000	2.01	17.4	1,301	—	10,563	20,592	1,269.1	651.6
South Dakota	719.3	34,299	0.36	21.0	1,164	—	10,287	19,261	264.0	127.3
Utah	1,698.8	47,353	0.49	35.9	2,826	—	8,784	23,239	525.1	303.1
Wyoming	516.4	20,465	0.21	25.2	820	—	11,614	26,301	189.5	118.7
NON CONTIGUOUS—68,269 REGISTERED BOATS 0.71%										
Alaska	537.8	27,597	0.29	19.5	20,171	31,383	14,581	32,534	195.3	127.6
Hawaii	1,071.3	13,418	0.14	79.8	46	1,052	11,832	28,140	334.0	216.4
American Samoa	—	167	0.00	—	—	—	—	—	—	—
Guam	—	710	0.01	—	—	—	—	—	—	—
N. Marianas	—	634	0.01	—	—	—	—	—	—	—
Puerto Rico	—	23,025	0.24	—	—	—	—	—	—	—
Virgin Islands	—	2,718	0.03	—	—	—	—	—	—	—

The Average Dealer, 1986

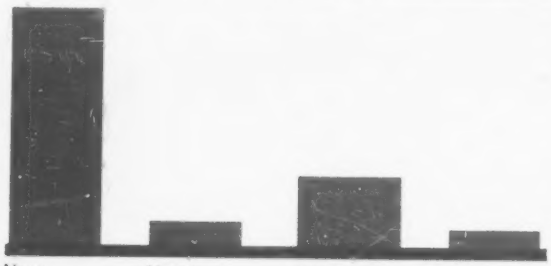
The past year has in many cases matched optimistic expectations of many boat dealers across the country. Two factors most often cited as being behind the continued upswing are low interest rates and the drop in the price of fuel. Entry level I/Os and runabouts accounted for large increases in sales at many dealerships, and several dealers pointed to a favorable financing climate as attracting new boaters. The low interest rates may bode well for the industry in the long term as those boaters trade up to larger models in coming years. While the drop in oil prices was generally seen as a boon to the powerboat industry, some saw it as a two-edged sword. Several dealers in areas where economies are closely tied to oil—especially Louisiana, Texas, and parts of southern California—reported soft sales and were more cautious about the future.

Dealers in coastal areas saw strong sales in mid-range I/O and inboard family cruisers. The year was also a good one for wide-beam fishing boats. In lake areas, bass boats continued to have strong appeal. Pontoon boats appeared to have shed their image as "retirees' boats" and were attracting younger, more family-oriented boaters. Pontoons were also being seen as more trailerable. Evidence of their popularity could be seen from the sharp increase of pontoon boat manufacturers. Reactions to sailboats was mixed. One dealer in the Great Lakes region saw a dramatic increase in sailboat activity—especially in the Catalina and S2 lines. The interest in the upper end of the market may bode well for the mid and lower end sailboats, he said. Many dealers reported increased store traffic and good accessory sales, although some faced tough competition from discount houses, which forced down profit margins.

Several dealers tempered their rosy business outlooks with the realization that 1987 is likely to be more competitive. One reason is that consumers are becoming more sophisticated. Increasingly, people in the market for boats are better educated about financing arrangements and are more apt to shop for quality than just price. At the same time, virtually all dealers queried during the year cited substantial increases in the cost of doing business. Insurance costs—especially product liability—have in some cases more than doubled over the course of one year, and have often gone hand in hand with less coverage. While some dealers looked to buying groups as one way of relieving the crisis, federal product liability reform is a possibility during the next Congress. Dealers also cited local business/occupational taxes and employee wage increases as pushing up further business costs. To pay for those costs, some dealers have taken a hard look at their operations, and plan to market more aggressively to increase volume. In trying to keep costs down, it is important to understand financial statements, said one dealer. "The bottom line has to be there. We had a 2% increase in total operating costs over last year. We've had to increase our prices to cover those costs."

One piece of legislation that will influence the market next year is the 1986 tax reform law. Among other things, the law will gradually phase out deductions for consumer and financing types of interest, making borrowing money for vacations and other types of consumer items more expensive. Nonetheless, many dealers are optimistic for 1987, and have matched or increased initial orders for new models over 1986.

SOURCES OF GROSS INCOME, 1986



Marinas and Boatyards, 1986

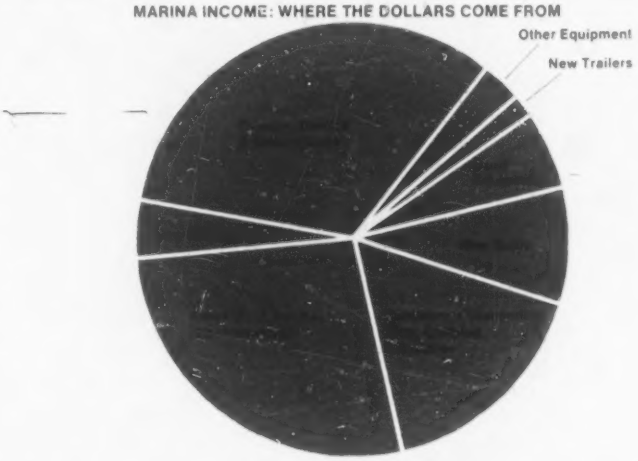
Hundreds of marinas were sold in 1986, many to real estate developers for conversion to expensive residential housing. Current marina selling prices would have been thought preposterous only 5 years ago. Among the impacts of this trend are higher slip prices and fewer boatyard services.

A "sellers' market" saw slip rental rates leap over 50% in some areas in 1986. Conversion to dockominium or long term leasing gained popularity among land developers and marina owners. Slip buying by boaters was spurred by fears of major shortages in the near future, especially around urban areas and key boating centers. Pressure mounted for increased tax monies to build publicly managed facilities, which could undercut private competition.

California had major increases in new slips and reports a surplus, largely due to opening more publicly financed mega-marinas. Respectable marina growth on the Great Lakes and inland lakes opened boating to more first time boaters. Marina plans for metropolitan New York shores, if realized, could make it the yachting capital of the world. Slip demand continues well ahead of supply in the rest of the nation. Several states find marina growth "in irons" due to a combination of restrictive government regulations and sell-outs for water-enhanced development. Government planners have begun to evaluate means to protect boatyard services and to streamline permits.

A few boat and motor manufacturers began buying and building full-service marinas to assure competitive access for their products. The trend toward manufacturing bigger yachts began squeezing boats under 25' out of slips. Many marina owners rec[illegible] professional training to mod[illegible]ze facilities, expand capacity (wet, dry and stack), computerize records, analyze profits and generally upgrade management. Those that do will survive, compete and profit as the decade ends.

MARINA INCOME: WHERE THE DOLLARS COME FROM



The Water Ski Market

PEOPLE: 13,071,000 persons participated in water skiing at least once during 1986.

SALES BY TYPE:
$10,500,000 combination/regular skis
$17,085,000 slalom skis
$ 1,086,000 trick skis
$ 280,000 jump skis

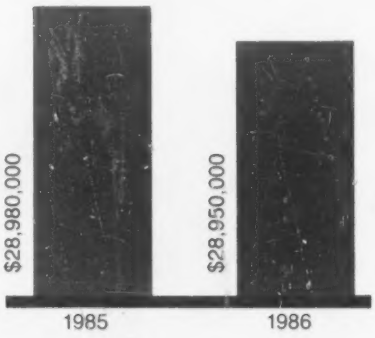
TOTAL DOLLAR SALES: Total dollar sales in 1986 at the wholesale level added up to $102,900,000; as opposed to $103,700,000 in 1985. This former figure should increase in 1987.

WATER SKI SALES: The total wholesale dollar value of water ski unit sales in 1986 was $28,950,000 as opposed to $28,980,000 in 1985.

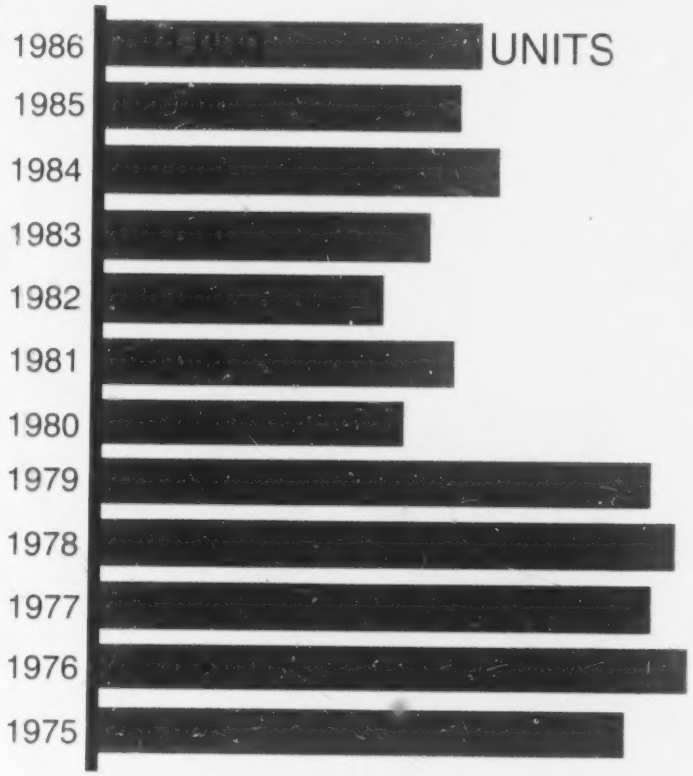
WATER SKI ACCESSORY SALES: At the wholesale level, sales of approximately $42,980,000 were reported for vests, ropes, and other water ski accessories; as opposed to total wholesale sales of $41,280,000 in 1985.

Figures tabulated from several sources, including the Water Ski Industry Association, North Palm Beach, Fla.

DOLLAR SALES OF WATER SKIS



The Trailer Market Hits Plateau



Strong sales in sportfishing boats, cruisers, and runabouts in '86 bent the sales curve upward in the trailer market. Unit sales were up by 2,000 and dollar revenue increased by approximately $14 million. The average retail cost of a boat trailer rose by 8% in '86, compared to a price rise of 7.6% the previous year. Diminished and expensive slip space has also contributed to the increased demand for trailers, and may also be encouraging boaters to trailer larger craft.

Although many trailer manufacturers feel they have not been impacted by the practice of some boatbuilders to provide a trailer with their boat and motor packages, others feel that the volume sales of these packages will influence some trailer companies to use boat manufacturers as a primary outlet for their product, instead of the dealers and distributors.

TOTAL SALES

$121,624,000	$146,800,000	$151,680,000	$165,676,000
$661	$734	$790	$854
1983	1984	1985	1986

AVERAGE RETAIL COST

The Financial Marketplace

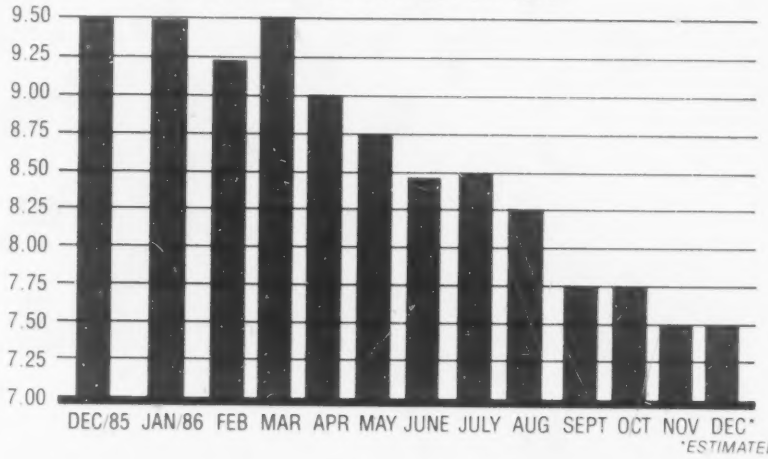
Competition among the nation's major marine lenders for the retail consumer and wholesale (inventory) accounts of dealers and manufacturers ran unabated throughout 1986. The result was seen in downward trending interest rates for literally all marine accounts, continuing growth in funding availability and roll-out of new programs and services for the industry and individual borrowers.

Major developments included the establishment of a secondary loan market for boat paper on Wall Street and linkages between the big boat-builders and the captive finance arms of the Detroit automakers. In the first instance, secondary markets should help to insure the future availability of funding for boating, particularly in credit markets which turn slightly sour. The second development may rattle some hometown marine financing sources, but indicates financial marketers are viewing boating with growing respect.

At the close of '86, government regulators and money center magnates were expressing concern over the ability of consumers to manage their skyrocketing installment debt. While some suggest consumers may curtail their spendthrift ways, others see no end in sight given low inflation, stable interest rates, bargain crude, and growing discretionary income. Tax reform will also change the way consumers borrow, but continue to borrow they surely will.

Source: National Marine Bankers Association

PRIME RATE PROFILE FOR 1986



*ESTIMATED

The Accessories Market Strong

Marine accessories, on the average, account for 10% of the business done by the average marine dealership, although these products account for more than 10% of the profits because of their higher mark-ups. In 1986, it is estimated that accessory sales totaled $990,100,000. It is widely held that sales in the coming year will continue to rise, and distributors anticipate carrying larger inventories to meet increased demand.

Changes of an evolutionary versus revolutionary nature are currently taking place in the distribution patterns of this market. The biggest influences toward change in the contemporary world of distribution are the advent of buying groups and the solid presence of catalog houses and mass merchandisers courting the consumer. The influence of mass merchandisers and buying groups probably means that the distributors will have to offer increasingly better ancillary services to their dealer customers. The basic thought is that distributors will not be able to compete on price alone.

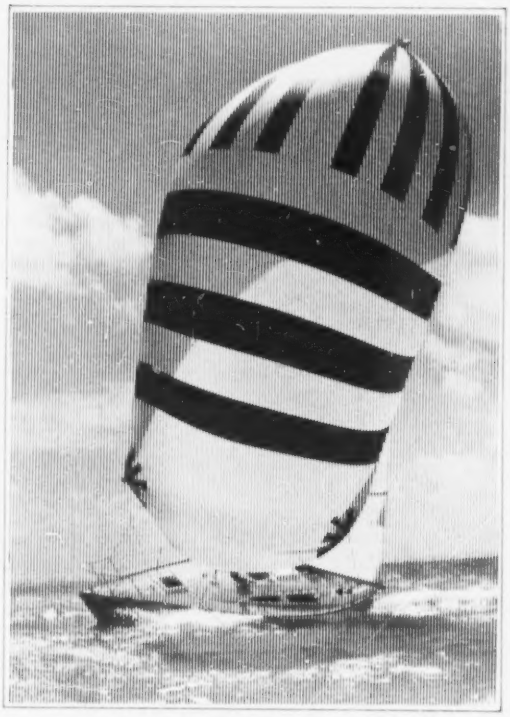
In efforts to stimulate sales beyond the expected growth surge in 1987, the industry's national promotion to push accessory sales has been retitled, "Accessories Savings Month" replacing "April Marine Accessory Month." It is the consensus that the new slogan reinforces the message that there are consumer savings to be had during the promotion. Furthermore, the campaign is more adaptable to regional market patterns as a consequence of dropping the "April" timeline. Major funding for the development of advertising materials and campaign strategies to promote participation at the trade level will be provided by the National Marine Manufacturers' Association NAMPS Group.

Sailboat Market Decline Continues

There was another round of disappointment in store for the sail industry in 1986, as the market failed to rally despite considerable expended effort and a multitude of programs aimed at reviving stagnant sales.

Unit sales of non-powered sailboats in general sank even lower into the sales trough, setting another six-year low sales mark. Auxiliary powered sailboat sales in the 30 ft. and under range remained flat, and only auxiliary powered sailboats over 30 ft. showed any improvement—a slim 4% increase in unit sales.

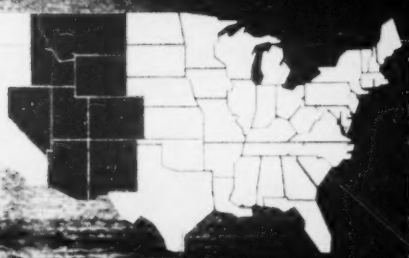
On a brighter note, the fact that the decline in non-powered sailboat sales in 1986 was only 2% as compared to a 7% drop in 1985 may be viewed as a sign of improvement in the business climate. The fall sailboat shows in '86 reported stirrings of sales activity, and domestic builders will be helped by the thinning field of foreign builders competing for available consumer dollars. Weakening of the dollar and spotty distribution practices are beginning to impact on the more speculative of the foreign sailboat producers. Domestic builders are also making headway by introducing new designs aimed at satisfying the needs and wants currently being expressed by today's sailors.



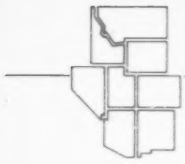
	1984	1985	1986
NON-POWERED SAILBOATS, ALL SIZES*			
Total units sold	36,600	34,000	33,300
Retail value	$118,108,000	$115,430,000	$88,415,000
Average retail unit cost	$3,227	$3,395	$2,655
AUXILIARY-POWERED SAILBOATS, 30 FT AND UNDER			
Total units sold	1,100	1,100	1,100
Retail value	$33,827,000	$37,335,000	$40,651,000
Average retail unit cost	$30,752	$33,941	$36,956
AUXILIARY-POWERED SAILBOATS, 30 FT AND OVER			
Total units sold	3,050	2,700	2,800
Retail value	$241,377,000	$217,620,000	$236,880,000
Average retail unit cost	$79,140	$80,600	$84,600

*DOES NOT INCLUDE SAILBOARDS

Dealers of the Mountain States

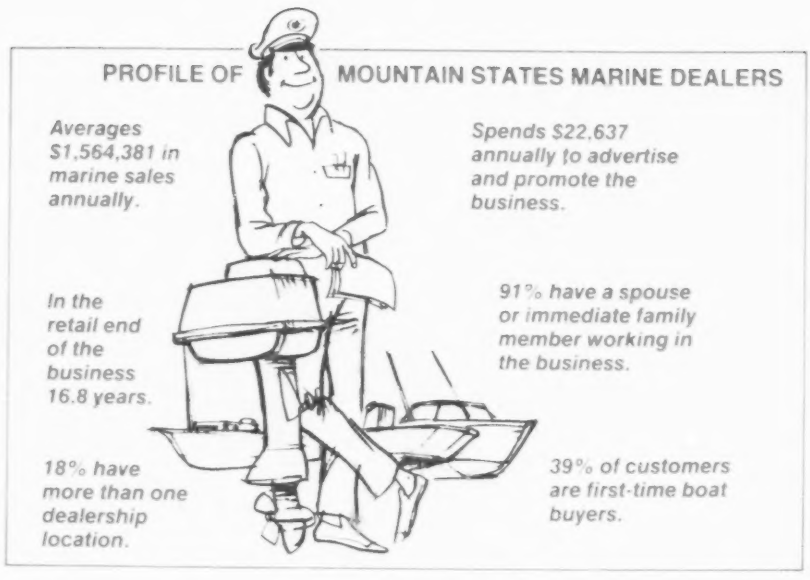


The landlocked states in the mountainous western region of the U.S. may seem to be the last places for boat dealers to set up shop. Yet within this vast region of rugged beauty, an abundance of lakes, rivers, and reservoirs, and a population that thrives on an outdoor lifestyle, provide a special attraction for marine retailers. It is a diverse region that poses special challenges: high freight charges, severe labor shortages, and sparse populations. BOATING INDUSTRY surveyed dealers in this area to find out what it takes to make the bottom line.



MOUNTAIN STATES SURVEY

BY JOHN DE GASPARI


PROFILE OF MOUNTAIN STATES MARINE DEALERS
Averages $1,564,381 in marine sales annually.
Spends $22,637 annually to advertise and promote the business.
In the retail end of the business 16.8 years.
91% have a spouse or immediate family member working in the business.
18% have more than one dealership location.
39% of customers are first-time boat buyers.

The landlocked mountain states that form a vast region of rugged beauty—with a wealth of pristine lakes, reservoirs, and winding rivers—is a paradise for outdoor enthusiasts and provides a special attraction for marine dealers. It is also a region of staggering complexity, results of a recent study of marine dealers in the area revealed. That survey for which BOATING INDUSTRY received a 16% response, indicated areas of contrasting economic profiles, labor markets, and product availability, every bit as varied as the natural environment.

If the remarks of dealers in the mountain states showed anything, it was that the region presented them with some special challenges: high freight charges, soft local economies, scarce populations. How well dealers are able to meet these challenges may often dictate their success in an industry that is putting more and more emphasis on volume, market penetration, and the bottom line.

To a great extent, dealers in the mountain states are specialized businesses—67% of those who replied to the survey are exclusively boat dealers, and 25% are dealers with a marina or boatyard. Several dealers stated that the market is becoming increasingly sophisticated, and that boaters are expecting boat dealers to be "specialists" in their area.

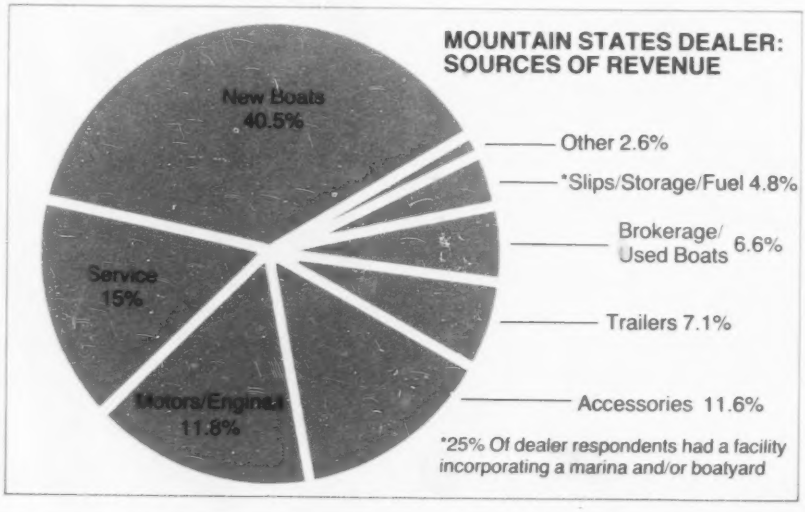
Most dealers also tend to be relatively small, family-owned businesses. Eighty-two percent of those who answered the survey have one location, and 84% employ 20 or fewer people. Of those who answered the question of family employment, about 58% employ a spouse, and only 4% employ no relatives. (A full 25% of respondents chose to skip that question.)

Of the nine states covered in the survey, Utah, where dealers averaged $3,097,500 in annual marine sales, produced the most revenue. Nevada ($2,870,000), Wyoming ($1,400,000), and Arizona ($1,361,111) also showed top average marine sales. New Mexico ($803,340) averaged the least.

In making predictions of how the 1987 model year will perform as compared to revenues in 1986, most respondents (58%) predicted an increase. Twenty-five percent predicted no change, and only 7% predicted a decrease (10% had no reply). The majority opinion does not necessarily reflect boundless faith in the economy, however. Interestingly, of those who predicted an increase, only 31% cited reasons that were directly tied to the economy. Other reasons included more aggressive promotion, changes in product mix or additions of new lines, expansions and opening of new locations.

The differences in annual marine sales by state and widely differing opinions of the coming year clearly illustrate the disparity of local economies. Several dealers in Arizona, for example, predicted growth—and for a number of reasons. John Keim, owner of Surfside Marine Center in Tempe, AZ, pointed to low employment (7%) and rapid growth (Arizona's population is expected to double by the end of the century). Keim's business is located in metropolitan Phoenix, in an area dubbed the Silicone Desert, because of the number of high-tech companies located there.

Closer to the California border, on



BEST SELLERS IN MOUNTAIN STATES DEALERSHIP

BOATS

Runabouts
Fishing Boats
Cruisers
Ski Boats

ACCESSORIES

Electronics
Skis
Safety Equiptment
General Hardware

POWER OPTIONS

Inboard/Outdrives
Outboards
Inboards
Water Jets

Lake Havasu, AZ, Don Looze, owner of Havasu Marine Sales, enjoys the patronage of winter refugees from throughout the West, and as far away as Alaska during the winter months. Looze reports that winter tourists are staying at the lake for longer periods of time and spending more money.

Another dealer located in a tourist-based economy, Roger Baker of Ashley's Marine Service, in Las Vegas, NV, also reports strong sales. Baker benefits both from the high-income of his immediate area and from nearly year-round business.

One thing all three dealers have in common is that they draw customers from a wide radius. It's not uncommon for boaters in the mountain states to travel a few hundred miles when shopping for a boat, which is one indication of the competitive nature of the marine businesses in the region. Several dealers pointed to more educated buyers as one of the biggest changes over the last five years.

One effect of that is to increase the importance of advertising and promotions. (Of those who answered the question, the Yellow Pages and newspapers were the most popular mediums for promotion with 85%; 73% cited boat shows.) According to Baker, whose customers come from California, Utah, and Arizona, "You want to keep your name before the public. The normal buyer out here in this area of the country is always

CLOSEUP

Awash in the Desert

Twenty years ago when Arnie Evans introduced sailing in Utah's Great Salt Lake, that sparkling body of water—and the boating opportunities that went with it—seemed endless. Twelve hundred square miles of adventure, mountains in all directions, steady summer breezes, and few (if any) power boats to rattle the great, briny silence.

A few years before, Arnie, a motorcycle mechanic who'd grown tired of working on his power boat ("It was like not having a day off"), had built a 10-ft Bluebird cat rig sailer out of *Popular Mechanix* magazine. It was just right for the reservoirs in back of the Wasatch mountains, even though the baggy sails homemade by his wife, Connie, drooped well past the gunnels when they got wet.

Then came a 19-ft O'Day sloop, and pretty soon a Santana 22—and two glistening new Ventures, which were his ticket to a Utah franchise.

We were going to try the sailboat business and see what happened," he remembers telling Connie.

One day, ten of us who were into sailing decided to put ten docks on a nearby shore of the Great Salt Lake, where sailing was just about unheard of.

"We got permission, found there were no state requirements for life preservers because the water was so salty, swatted a lot of brine flies, and built the docks.

The marina grew with the help of a local entrepreneur, and Evans sold a couple of hundred Ventures in the next few years, then took on the Catalina line ("Bigger boats for a bigger lake"), and was off on a nice beam reach.

Soon the fast and forgiving Catalinas were dominating not only the Great Salt Lake, but

In happier times, Evans often sailed the lake with customers.

nearby lakes and reservoirs in healthy numbers. And Arnie, with the help of Connie, his dad and three sons, was opening up a handsome, vaulted ceiling dealership on Interstate 15, where he could display fully rigged Catalina sailboats.

Sailcraft was in its heyday as Arnie's Catalina sales in Utah topped the 400 mark.

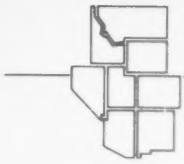
Customers liked not only Catalina, but Arnie and his family as well. Arnie loaned tools (which he almost always got back), was right there on launch day to help his customers, and stood behind his product if anything went awry. Members of the nearby Provo Yacht Club on Utah Lake liked all that—liked it enough to buy him a parrot as a token of his esteem—a nautically proper gift, they thought.

But five or six years ago, the winds began to change, so to speak, as a totally unexpected condition presented itself. Unusually heavy snows in the Wasatch mountains—several years of them in succession—brought major floods to cities along the Wasatch front. And Great Salt Lake, and Utah Lake to the south, began rising ominously.

The waters did not subside toward summer's end during those years.

The marina was threatened. Then reinforced and raised. Then

(continued on page 124)



MOUNTAIN STATES SURVEY

looking for a deal." He adds that people wait for sales and may assume that you are not running one if they don't see an ad. It also stimulates potential buyers who may not be in the boating mood.

John Keim, in Tempe, AZ, will advertise through boat shows, billboards, local newspapers, and local radio, and has held boat auctions. His biggest advertisement, he adds, is his location in a busy area with plenty of recreational outlets.

An added plus for dealers in these areas is a long selling season. Ashley's Sea Ray Boats in Las Vegas enjoys 11 good months per year, and Havasu Marine Sales reports year round selling. John Keim, near Phoenix, reports seven to eight good selling months. While the climate in the winter months may be pleasant, the water, which comes off the mountains, is too cold for boating, Keim says. He adds that July and August are often too warm.

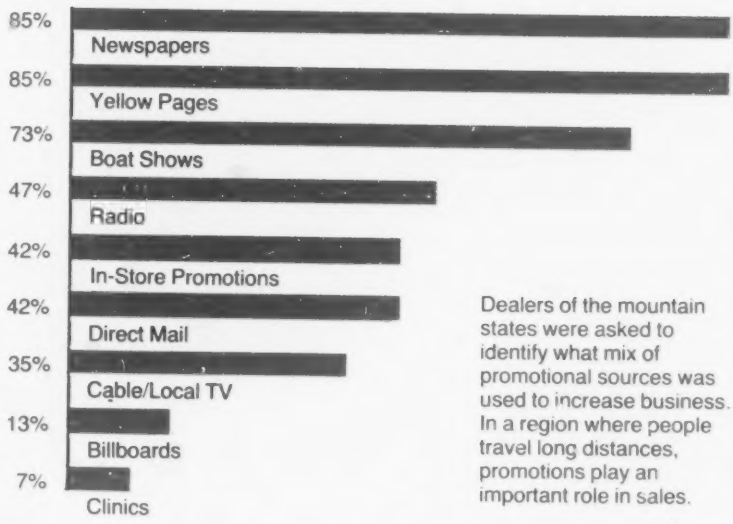
One drawback for many dealers in the region is a scarcity of water and marina facilities. According to Keim, what water is around is owned by the Federal government, and there is little private (waterfront) land for sale. Marina facilities are often leased from the Federal government and are not sophisticated. Trailering is consequently very important to the area. One dealer in Arizona dealer points out that the inconvenience of trailering long distances is holding back sales.

The economic pictures of states to the north, including Wyoming, Montana, and Idaho, are quite different. Here local economies are often based on agriculture, mining, and timber, all of which are down. One dealer in northern Montana reports that unemployment in his area is 14.8%. Compounding the situation is a short selling season and often a sparse population. Wyoming, for example, the seventh biggest state in the union, has a population of only about 450,000.

The troubled economies in these areas has had several effects. One dealer in Montana fears that boats and motors may be priced out of reach of many blue-collar workers. Another dealer states that discounters have not been able to survive the long off-season.

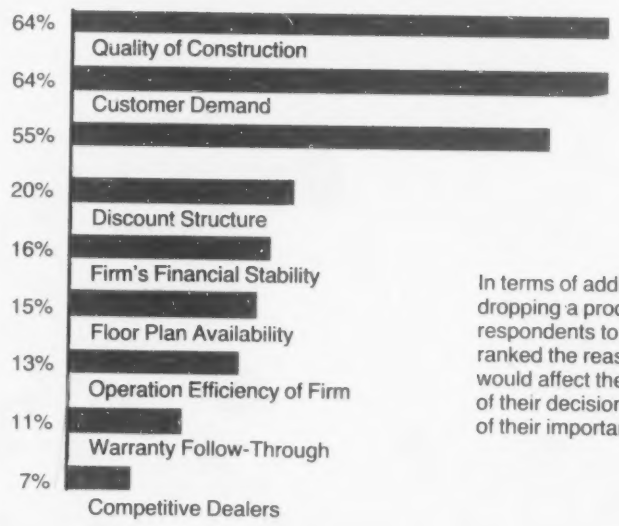
The long off-season months were cited as both an advantage and disadvantage by several dealers. While they provide breathing space and time to prepare for the next season, it is also a time of negative cash flow for some. Negative cash flow during the winter months is a major challenge for many dealers in the mountain states. Several dealers stressed strong service as being the most important aspect in attracting and maintaining customers. Other dealers, particularly in the northern states, sell non-marine products,

HOW MOUNTAIN STATE DEALERS PROMOTE THEIR BUSINESS



Dealers of the mountain states were asked to identify what mix of promotional sources was used to increase business. In a region where people travel long distances, promotions play an important role in sales.

FACTORS INFLUENCING PRODUCT DECISIONS BY MOUNTAIN STATE DEALERS



In terms of adding or dropping a product line, respondents to the survey ranked the reasons that would affect the outcome of their decision in order of their importance.

such as snow skis, snowmobiles, and camping equipment during the fall and winter months.

Another challenge for dealers in the mountain states is labor. Dealers who can't afford to pay good mechanics during the winter months are faced with chronic labor shortages.

While most dealers wrote that there was an adequate supply of labor, many added that there was a shortage of skilled marine mechanics—especially in remote inland areas. According to Bill White, of Glendo Marina, Glendo, WY, it is not always easy to find a good mechanic who likes the rugged lifestyle there. White usually advertises for mechanics in major metropolitan areas, such as California or the Midwest. "We tend to get a lot of inquiries from people who have this dream. But when they see the reality of living in a small community, where the nearest doctor may be 30 miles away and where you might have to travel at least 60 miles, and maybe 200 miles just to go shopping, the thought of moving here tends to lose some of its romanticism. A lot of people like to dream but are not willing to make the sacrifices that are there." On the plus side, people who adapt to the area and become excited about it tend to be good and loyal employees.

Further south, in the Sunbelt states, availability tends to be better, although several respondents cited a lack of skilled mechanics. One Arizona dealer cited an influx of labor from Washington and Oregon, where there is higher unemployment.

As in other areas of the country, dealers in the mountain states are faced with rising costs of doing business. Several dealers pointed to a concern for maintaining profit margins, especially in the light of taxes, insurance costs, rising in product prices.

Another cause for concern is the high cost of freight in some remote areas, and distance from suppliers. Some manufacturers overcome the problem with a freight parity program (i.e., Four Winns). Don Looze, of Havasu Marine Sales, Lake Havasu, AZ, claims that he has been able to cut his shipping costs in half.

CLOSEUP

Profiting From Challenge

Carving out a successful living as a marine dealer in the rugged mountains of Wyoming can be a daunting challenge. While the natural environment is one of stunning vistas, the business environment is demanding, with a sparse population, short boating season, and soft economy.

One dealer who has prospered by doing business in the region on its own terms is Bill White, owner of Glendo Marina, Glendo, WY. Located in a area with an abundance of water—much of it in the form of reservoirs from dammed rivers—the dealership is situated on Glendo Reservoir, a sizable body of water with 110 miles of shoreline. White, a Sea Ray dealer who's best selling boat types include aluminum fishing boats, runabouts, and pontoons, enjoys the patronage of people who value the outdoor lifestyle.

White views the unique aspects of doing business in the mountain states as a series of challenges, and foremost of these is the scarcity of people. Located in a community of only about 325 people, the dealer draws its customers from a wide radius, including all over Wyoming, Colorado, and Nebraska. The same consumer patterns that, in the rest of the country, are influencing people to travel greater distances for the best buy are also at work in Wyoming, but on a larger scale. "Distances mean nothing to people out here," says White. That tendency has contributed to the relative importance of the advertising dollar in attracting customers.

In order to hold on to those customers, White has found it best to be something of a generalist in his product mix, which includes family-oriented fishing, skiing, and cruising boats. Specialty boats, like bass boats, do

Bill and Charlotte White stress the personal nature of their business.

less well, he says. "We find that we can't be a specialist if we don't have a broad, big market to deal with....Here you have to be all things to all people, because things are on a smaller scale."

Despite a short boating season of four to five months, White, like other dealers, is feeling pressure from manufacturers to purchase on a year round basis. Efforts to improve the cash flow during the off-season months have led him to become more promotion minded, running events on a monthly basis.

White indicates that he is fortunate in that a lot of tourists will come to his area, attracted by the clean air and openness. "If they come up here on a regular basis we have a good crack at selling them a boat," he says. "We try to develop a one-stop operation, where they can buy a boat, get it serviced, add accessories, and store it, hop in their economy car or motor home and come up to the lake."

In an area far from metropolitan centers (Glendo is about 200 miles from Denver), doing business takes on a personal tone in which customer relationships have an added significance. "In marine businesses in the West, integrity and reliability of the company, as reflected by its ownership, are very important....If

(continued on page 124)

Before that, he used to cut costs by doing his own trucking of product.

In a region often characterized by sparse populations, where people are often willing to travel long distances for the best deal on a boat, competition can be fierce. According to J.R. Malonf, of Duce Marine, Salt Lake City, UT, "Once in a while we'll get people from 500, 600, 700 miles away to save on a boat purchase." While Salt Lake City is not a particularly big resort area, it is pretty competitive, he says. "I think that we gain more from out of state than we lose....I doubt that there will be any more boats sold in Utah than last year. We just go after a bigger market share every year. That's how we keep going—taking from the other dealers."

Dennis J. Peterson, owner of Peterson Marine, with two locations in Ogden and Salt Lake City, UT, says that competition in his area is strong. Peterson, a Bayliner dealer, says that he draws customers from a wide radius. Utah has a population of under 2 million and only three major population centers. People travel long distances for boats, especially in the $15,000 to $20,000 range, he says. One-quarter of his business comes from out of state, and most of those boats, up to 34 ft, are trailered.

The lack of population in some areas can be daunting. One dealer in Utah stated that he was the only boat dealer in 25 counties, then added that there were only 25,000 people in the area.

Several dealers stated that price cutting has become more common. In commenting on the biggest change in the past five to ten years, one dealer cited much more competition: "...not meaning good competition—the dirt lot operators that come in and go out of business."

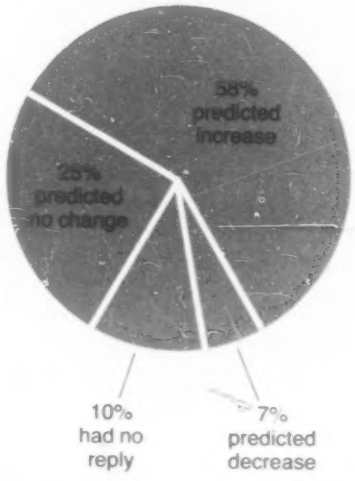
One Nevada dealer states that he gets strong competition from the Los Angeles area. He cites price controls as being important to business: "I can go to L.A. and get items cheaper than I can get wholesale."

John Keim, of Surfside Marine Center, Tempe, AZ, says that competition in his area is heavy, with 28 dealers who sell glass boats. All major lines are represented, he says, except Chris Craft. Roger Baker of Ashley's Sea Ray Boats in Las Vegas, says that an important factor in his area is that the consumer is getting much more educated, is shopping around more and looking at price. While some lines offer cutthroat prices, that is not a real problem in Las Vegas, he says.

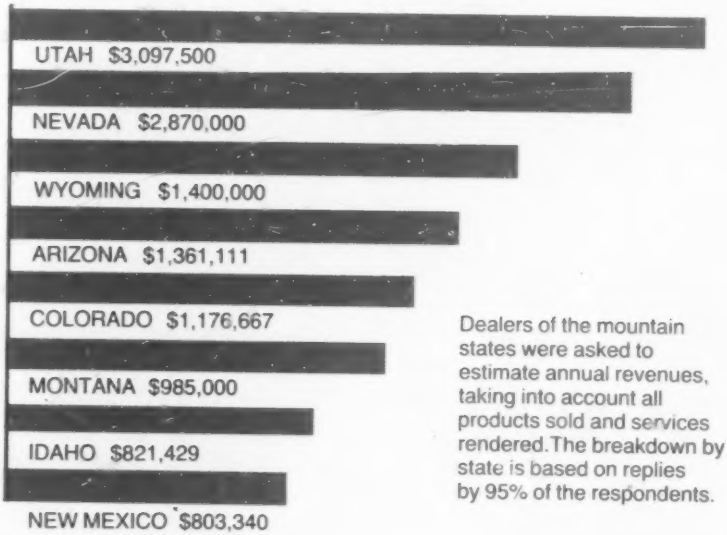
One trend that is affecting boat dealers in the mountain states is that manufacturers are becoming more demanding, looking for commitments to take on more of line. According to Roger Baker, the marine industry is becoming more and more like the auto industry. "You are going to see the auto industry's expertise rub off on the marine industry. It's just a matter of time. They're looking for more market penetration, they're looking for units, and they're looking for volume." John Keim agrees, especially in regard to the "Big Four": Bayliner, Sea Ray, Wellcraft, and Four Winns. One impact may be pressure to become exclusive dealers.

On the plus side, most of the dealers surveyed predicted an increase in business, and several indicated expansions or additional locations. Many pointed to an increase in the number of boaters each year, and expect that to continue. Others stated that there is an increase in the number of "affordable" boat packages available. (One Arizona dealer said that the introduction of Bayliner and BassTracker to his market has made it more competitive.) Interestingly, a good number of those who predicted an increase in sales in 1987 had just taken on new lines. Perhaps most important, dealers throughout the region pointed to a public that thrives on an outdoor lifestyle. □

'87 MODEL YEAR COMPARED TO '86 REVENUES



RANK OF ANNUAL MARINE SALES BY STATE



Dealers of the mountain states were asked to estimate annual revenues, taking into account all products sold and services rendered. The breakdown by state is based on replies by 95% of the respondents.

EVANS

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threatened again. And further raised. At Utah Lake, 50 miles southward, the state-operated marina, foot by critical foot, slowly succumbed as breakwaters became shoals, picnic grounds became shallows, and finger piers were hauled off to higher ground.

Sadly for Arnie, the water of the lake, which once provided both income and quiet peace in the desert land, is slowly drowning his business.

Utah Lake State Park marina has been flooded for three years. And if you were to visit Great Salt Lake Marina today, you'd see water lapping at the eaves of the restrooms. A little remnant of past sailing glory on the lake—some 20 sailboats—sit at anchor in the shelter of Saltair, a magnificent "lakeside" resort that is now surrounded by water as her owners fight to save her.

Arnie?

"It's awesome, unbelievable," he quietly concedes in his down-home Utah way. "It's almost impossible now to sell a new sailboat," he laments. "Catalina has really been patient," he adds.

So he's storing 30 boats in his yard, selling used ones, working on boats. And hoping.

The future?

Utah is spending $40 million on pumps to move some of the water to other desert areas—and hopefully to save a good portion of Salt Lake City itself if the water continues to rise.

Arnie and Connie have sold their Catalina 27 and are down to a easily trailerable 22. They're trying to lease their location to tide them over. And hoping fervently for a light winter, a receding lake.

"I never thought that too much water would ruin our business, especially in the desert."

He pauses, ponders.

"If we're careful, we'll just make it.

"But only Mother Nature knows for sure." □

—Herbert E. McLean

WHITE

continued from page 71

a customer is not pleased with service or whatever, he'll tell other people, and I've lost a customer for boating."

Another challenge to doing business in this area of the West is a soft economy, which is based on energy and agriculture. "People still want to go boating, although they may not be able to do it on as grand a scale as when the economy was up and running," says White. The money is still there, it has just been redistributed, he adds. White expects business this year to be as profitable as it was in 1986, although he concedes that the poor economy will put some stress on his margins.

Despite these challenges—or perhaps because of them—this region can be a special place to set up a marine dealership. Those who adapt to this type of environment wouldn't have it any other way. □

—John De Gaspari

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Stars & Stripes Victory Impacts on Industry

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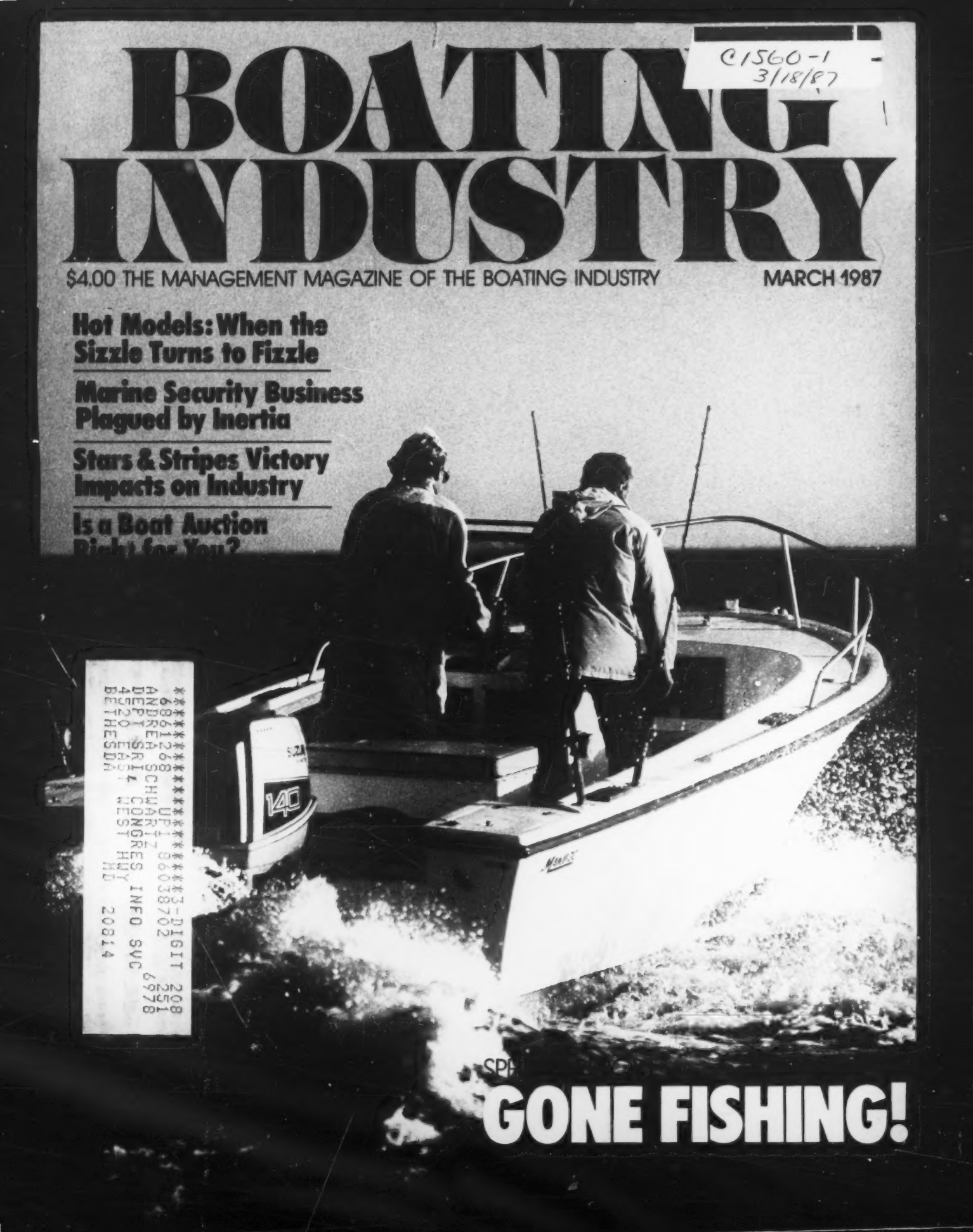

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GONE FISHING!

BOATING INDUSTRY

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Fishing boats have always enjoyed a substantial share of pleasureboat market sales. Manufacturers are racing to keep up with new technology, new colors, and new styles.
PHOTO: COURTESY U.S. SUZUKI

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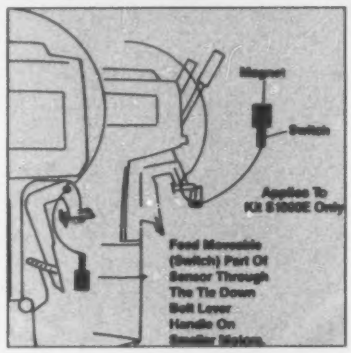

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Gone Fishing!

Recreational fishing fuels boat sales as it continues its climb in popularity. In Washington, boating and sport fishing interests join on funding issues.

PHOTO JOHNSON MOTORS

BY JOHN DE GASPARI

There is no question that the recreational fishing market is growing and that fishing is a major reason for people to buy boats. According to statistics from the National Marine Manufacturers Association, there are an estimated 44 million people across the U.S. who go fishing. Two-thirds of the people who buy boats buy them for the principal purpose of going fishing, says Bob Moyat, manager of marketing statistics for the NMMA.

The popularity of recreational fishing can also be seen from sports surveys taken by research organizations. According to some of those reports, fishing—both fresh water and salt water—has moved from third place to second place in popularity, just after swimming.

Yet different segments within the recreational fishing market are growing at different rates. The National Marine Fisheries Service in Washington, DC conducts an annual survey of recreational fishing, in which it tries to estimate the number of people making fishing trips every year. (The NMFS deals only with the salt water fishing industry—not fresh water.)

"There has been an increase every year since the NMFS has done the survey, in 1979," according to Mark Holliday, who has been involved in compiling the report. "The rate of increase has fluctuated somewhat, but it is still upward sloping." Because the report is an estimate, there is a variance, and it does not spell out percentage changes from year to year. The current estimate is that 17 million anglers fish in salt water every year.

The rate of growth for sportfishing may vary within individual market segments. Some idea of the growth patterns are revealed from a recent study by the American Fishing Tackle Manufacturers' Association in Arlington Heights, IL, titled *Sport Fishing Participation in 1985*. That report states that almost 7 million men, women, and children fished for the first time during 1985, and that about 4 ½ million dropped out of the sport during the same year. This produced a net gain of 2.3 million participants in fresh and salt water fishing. The total numbers of fresh water anglers and salt water anglers in 1985 are put at 36,452,000 and 5,776,000, respectively. This is a 4.9% increase over totals for 1984.

A profile of anglers can also be drawn from the report. The highest number of participants were located in the South (36.9%); followed by the Midwest (28%); West (18.2%); and Northeast (17%). Income was a reverse pyramid with the under $15,000 group accounting for 25.6% of anglers, and the $50,000+ range accounting for 11.2%. The highest participants by age groups were 25–34 (24.7%) and 35–54 (24.3%). The 55 and older group fell off sharply, accounting for 13.2%.

Aging is one reason for somewhat

TOP 20 BOAT OWNER/ANGLER STATES

States Ranked By Registered Boats	Boats	States Ranked By Resident Anglers		Anglers Per Boat
1. Michigan	716,925	1,134,761	5.	1.58
2. Minnesota	645,452	1,233,402	3.	1.91
3. California	642,987	2,563,799	1.	3.99
4. Texas	600,499	1,580,166	2.	2.63
5. Florida	537,086	620,793	12.	1.16
6. Wisconsin	438,287	1,192,256	4.	2.72
7. Ohio	351,394	1,113,107	6.	3.17
8. New York	340,300	868,844	9.	2.55
9. Arkansas	327,226	450,853	17.	1.38
10. Louisiana	315,140	543,401	15.	1.72
11. Illinois	280,996	840,830	10.	2.99
12. Missouri	277,282	900,152	8.	3.25
13. Georgia	241,973	694,600	11.	2.87
14. South Carolina	233,890	355,142	20.	1.52
15. Alabama	233,640	503,496	16.	2.16
16. Pennsylvania	229,044	973,208	7.	4.25
17. North Carolina	218,019	409,307	19.	1.88
18. Tennessee	200,582	618,102	13.	3.10
19. Oklahoma	193,000	546,630	14.	2.83
20. Iowa	190,118	418,473	18.	2.20

Source: High/Low Research

modest projections for the growth of sport fishing in the future. Dave Rockland, an economist with the Sport Fishing Institute in Washington, D.C. says that the sport fishing market will experience a real growth rate of about 2% per year in the future. While there are going to be more people in the future, a larger percentage of people will be older and entering age groups in which they fish less, he explains. Increased leisure time and disposable income may add to participation, but not dramatically, he adds.

Nonetheless, engine and boat manufacturers are taking advantage of tie-ins between recreational fishing and boating with promotions. According to Bill Bucher, manager for special markets liaison for Mercury Marine, Fond du Lac, WI, there is a growth in fishing tournaments that is stimulating activity to fish all species of fish. In many cases, the participants are working directly with dealers.

Mercury Marine has a national fishing team made up of over fifty individuals that fish different species of fish. The company is getting more and more requests to have these people appear at dealer activities such as boat shows or seminars. The participants are well known and have respect in the marketplace, he says.

Several boat manufacturers, too, use fishing tournaments to promote their products. Bob Collins, president of Hydra-Sports, Nashville, TN, calls tournaments a valuable marketing tool. The company opened a Team Hydra-Sport competition in 1983 to Hydra-Sport owners. "It's a massive marketing drive that fosters camaraderie among Hydra-Sport owners. Last year we opened the tournament to owners of other boats as well, so that people can see how well Hydra-Sports perform."

One important trend in the industry is boat-motor-trailer "packaging." These include packages from Bayliner and BassTracker in the bass lines. Other boat manufacturers limit the package concept to its entry level models.

One effect of the packaging concept is that it is opening up the lower end of the market, according to Bayliner's Robyn Weisen. Bayliner's affiliation with US Marine enables the company to offer reasonably priced boat packages.

BassTracker has also been successful with the boat packaging concept, according to marketing manager Jim Barnes. "We are sort of a unique company," says Barnes. "We like to sell through the dealer rather than to the dealer. Almost all of our advertising is retail advertising. Generally when the BassTracker customer walks into a showroom, he has got one of our catalogs in his hand, and he pretty much knows what he wants on that boat." In that sense the retailers are more like car dealers than marine dealers.

Profit margins tend to be a little lower than those of the traditional marine dealer, but a BassTracker dealer tends to have higher volume, he adds. Dealers are encouraged to sell the boats as packages that are almost completely water-ready.

Some boat manufacturers, particularly in the higher price ranges, shy away from packages in favor of customized rigs. As a fisherman becomes more sophisticated he wants more of a say in how his boat is rigged. In the case of customized rigs, a dealer's expertise and customized service plays a more important role, and there will always be a need for that type of service, according to Bill Vanik, marketing manager for Ebbtide. "There is always somebody who wants a slightly different color, instrument, or whatever—especially when dealing with upscale customers."

KingFisher currently offers boat packages on two of its entry level models. It does not package its top of the line boats.

There remains a place for both marketing strategies in the industry, and several manufacturers agree that the packaging concept continues to bring new participants into the sport fishing industry.

One thing that may help the packaging concept in the future is acquisitions, such as the acquisition of Bayliner by Brunswick Corp. While the businesses are handled independently of one another, undoubtedly, the vertical integration will help the packaging concept along, according to Mike Gyorog, director of marketing for special markets at Mercury Marine. The future will tell how, he says, "but it is certain that you will see more and more coordination because of this vertical integration." The result may be reduced costs on the manufacturing end, which in turn can mean a better package to

dealers and retail outlets.

One market that is closely tied into the sales of boats is fishing tackle sales. In general, sales of fishing tackle manufacturers have been holding steady or growing slowly, according to Nancy Lems, communications manager for the American Fishing Tackle Manufacturers Association. She adds that the number of fishing license holders has held steady over the last few years. The AFTMA is divided into four product divisions: rods and reels; lines; lures and baits; and accessories, a catch-all segment including electronics, terminal tackle, tackle boxes, life jackets, etc.

In terms of sales, the terminal tackle area has seen good growth, says AFTMA executive director Tom Conley. Rods and reels are not doing as well, partly because it has reached a saturation point and there are few specialty markets left to expand in. Other product categories that continue to sell strong are electronics, trolling motors, tackle boxes, and fishing line.

As in other areas of the marine accessory industry, more and more tackle products are being distributed through mass merchandisers than through sprecialty retailers, says Conley. Mass merchandisers and catalogs continue to encroach on the independent dealer. But Conley stresses that the specialty dealer can still compete in the area of service and specialized knowledge. "There are various parts of many manufacturers lines that are a little more high-end and afford a good profit margin. A marine dealer can get together with a wholesaler and buy the proper amount of product that allows him to distinguish from what's being sold by the mass merchandiser."

Foremost, Conley emphasizes the close relationship that exists between fishermen and boaters. There's no question that without the opportunity to fish some boat sales would not take place, he says. He adds that there is also no question that the boating community and sport fishing community need to join hands when it comes to fighting on some environmental issues and issues regarding the state of the fishery. In the legislative arena, organizations such as AFTMA, NMMA, and the Sport Fishing Institute are forming coalitions to work on certain issues.

STATE FISHING LICENSE HOLDERS

Northeast Region

Year	Number	Index	% +/−
1977	2,927,363	100.0	—
1978	2,892,229	98.8	−1.2
1979	2,978,113	101.7	+2.9
1980	3,054,946	104.4	+2.6
1981	3,217,449	109.9	+5.3
1982	3,230,233	110.4	+0.4
1983	3,266,160	111.6	+1.1
1984	3,221,322	110.0	−1.4
1985	3,317,921	113.3	+3.0

Annual average change: +1.67%

South Region

Year	Number	Index	% +/−
1977	8,769,046	100.0	—
1978	8,453,463	96.4	−3.6
1979	8,920,725	101.7	+5.5
1980	8,966,214	102.2	+0.5
1981	9,255,577	105.6	+3.2
1982	9,274,555	105.8	+0.2
1983	9,298,574	106.0	+0.3
1984	9,345,818	106.6	+0.5
1985	9,478,337	108.1	+1.4

Annual average change: +1.01%

Midwest Region

Year	Number	Index	% +/−
1977	9,241,497	100.0	—
1978	8,356,434	90.4	−9.6
1979	8,828,472	95.5	+5.6
1980	8,914,488	96.5	+1.0
1981	9,295,931	100.6	+4.3
1982	9,654,327	104.5	+3.8
1983	9,308,487	100.7	−3.6
1984	9,260,163	100.2	−0.5
1985	9,477,096	102.6	+2.3

Annual average change: +0.32%

West Region

Year	Number	Index	% +/−
1977	6,386,490	100.0	—
1978	6,448,226	101.0	+ 1.0
1979	7,220,087	113.0	+12.0
1980	7,059,269	110.5	− 2.2
1981	7,508,284	117.6	+ 6.4
1982	7,422,211	116.2	− 1.2
1983	7,257,322	113.6	− 2.2
1984	7,188,615	112.6	− 0.9
1985	7,399,836	115.9	+ 2.9

Annual average change: +1.98%

Source: U.S. Fish and Wildlife Service.

Top on that agenda right now is the preservation of the Wallop-Breaux amendment to the Sport Fish Restoration Act. The amendment increases the money that is available for boating access, boating safety programs, aquatic resource education, and fishery enhancement programs. This year, for the third year in a row, the Reagan Administration is trying to divert money away from the states and into a general operating account for the U.S. Fish and Wildlife Service. The President's FY'88 budget proposes to transfer $25 million out of the fund. If the Administration succeeds in doing it once, it can do it again and again, and will mean trouble for the industry, say opponents. It promises to be a continuing battle in Congress.

A second cause for concern in the industry is an Administration proposal for a marine fishing license. Like the Wallop-Breaux issue, it is an attempt to divert money from the sport fishing industry into Federal coffers. According to Steve Moyer of the Sport Fishing Institute in Washington D.C., the Federal government is mandated by law to manage marine fisheries. Up to this point that money has come out of general fund revenues—taxes.

"The way that the proposal was originally formatted, they were going to take the license money and use it to reduce the budget deficit," says Moyer. Now there are effort underway to make the proposal more reasonable. This may include a proposal whereby the National Marine Fisheries Service be funded at least in part by the federal marine fishing license. However, sentiments are strong in the industry that the Federal government should continue to fund its management activities through general fund revenues.

Such issues are likely to grow more prevalent as money becomes tighter, especially as the Federal government looks for ways to grapple with a huge deficit. Whatever the outcome of the issues, the fishing and boating industries are sure to find their fates intertwined. □

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NEW REPORT:

RETAIL FACILITIES DESIGN

Dealers of the South Central States

Why F&I Can't Compensate for a Bad Boat Deal

Your Game Plan to Bigger Accessory Profits

SRO at Winter Boat Shows

BOATING INDUSTRY

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Brockway Marine in Ashtabula, OH, has developed an exciting new showroom design commensurate with a recreational boating revival in the area.
PHOTO: BOUNDAS

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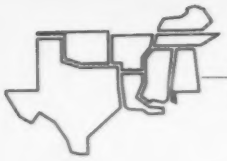
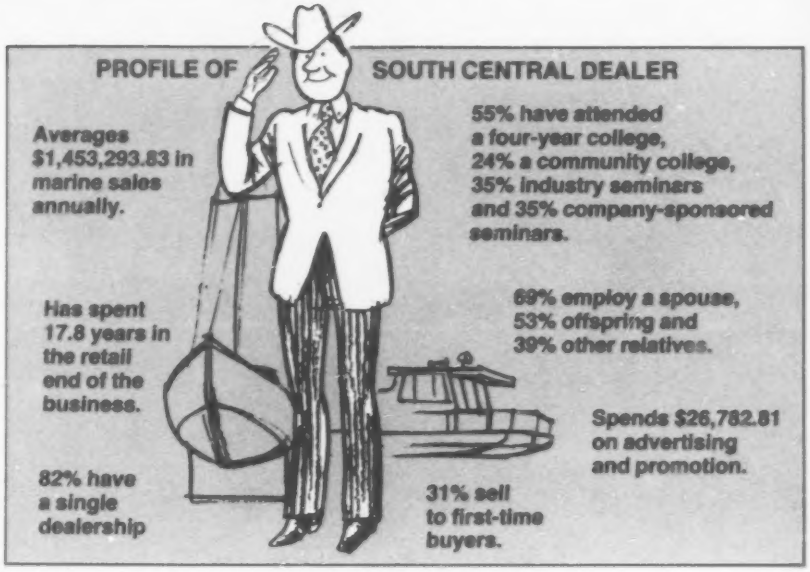
Lingering problems and hopeful signs abound in sections with energy-based economies. Elsewhere, the news is mostly good and the future seemingly bright.

Dealers of the South Central States

BY CARL WEINSCHENK

The south central states, the focus of BOATING INDUSTRY'S third regional dealer study, include some of the most storied places in the nation. It encompasses the bluegrass-fed thoroughbreds of Kentucky, the mysterious bayous of Cajun Louisiana and the flint hard oil country of Oklahoma and Texas. It is a region of tough, hard-working people, many of whom have shouldered, along with midwestern farm-




PROFILE OF SOUTH CENTRAL DEALER
Averages $1,453,293.83 in marine sales annually.
55% have attended a four-year college, 24% a community college, 35% industry seminars and 35% company-sponsored seminars.
Has spent 17.8 years in the retail end of the business.
69% employ a spouse, 53% offspring and 39% other relatives.
Spends $26,782.81 on advertising and promotion.
82% have a single dealership
31% sell to first-time buyers.

ers, the hardest economic realities of 1980s America.

Demographics

The region is difficult to pin down statistically. With the notable exception of the long Texas coast, it is lake oriented. The emphasis on inland boating can be surmised by the mere 12 percent of dealers who think inboards are their top selling power option.

Bass boats are top sellers for 48 percent of the dealers. The immense popularity of tournaments is the real proof that many prefer calm and sedate lakes to the excitement of the open water. Where bass boats are king, a princely amount of electronics are sure to be sold. The 66 percent that call such gadgetry their top accessory segment bear this out.

Almost three-quarters of the approximately 100 respondents run stand-alone dealerships, while about 20 percent are affiliated with a marina or boatyard. This, along with the average of about 11 employees (77 percent of which are full time) and the region's overall rural nature indicates that the traditional "ma and pa" business is still alive and well in the region. This is further collaborated by the finding that more than 80 percent of the dealerships are single location.

It is also apparent that people in the south central states believe that business begins at home. Most dealers employ relatives. In about 70 percent of the cases, the relative is a spouse. Thirty-seven percent have children on the payroll and about 40 percent hire other relatives.

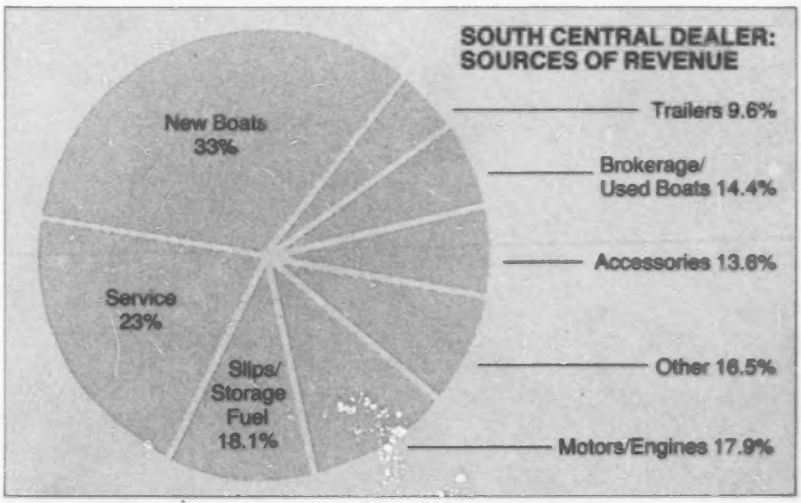
Responding dealers average 18 years in the business. Such a high norm, which includes those just starting out and therefore too young to do anything but lower the total, implies that a high number of the older respondents are lifelong boat dealers.

Economic Woes

It is not surprising that in an area where most people rely on fuel, farming and real estate, finance dominates the thoughts of boat dealers that serve them. "Our economy, here in Oklahoma, is horrible right now," said Dick Hastriter of B & D Marine in Ponca City. "We're basically an oil and farm industry, and it's really hurting." A Corpus Christi dealer sees the effect of plummeting oil prices. "The banks will not admit it, but I think as soon as we have a drop in prices it automatically and immediately affects the money flow from the banks. Everything starts to get tight. They may say it's not, but everybody down here knows it's an immediate repercussion."

Dealers in many areas bemoan the economy. "There is 20 percent unemployment here because six or seven factories in Rome (Georgia) closed down in the last three years," said Jerry Isham, a dealer in Harriman, Tennessee. A Lufkin, Texas, dealer summed up a common feeling: "(The) oil business is awful and that's what our area is." A dealer in Muskogee, Oklahoma, agreed with Hastriter, saying there is a "depression economy in this area." A forecast of hard times also comes from a New Orleans dealer who indicated that he expected 1987 to be "poor. (We are) dependent on oil fields which have high unemployment, reduced wages and less disposable income."

The boat business is a difficult one in which to succeed even during good times. When a region is taking



BEST SELLERS
SOUTH CENTRAL DEALERS

BOATS

Runabouts
Bass Boats
Fishing Boats
Pontoons
Cruisers
Jon Boats

ACCESSORIES

Electronics
Hardware
Recreational Equipment
Maintenance Equipment
Safety Equipment

POWER OPTIONS

Outboards
Inboard/Outboards
Inboards

it on the chin, recreation is among the first things eliminated from family budgets. Many indicated that profits can be made only if the effort is monumental. "I think we are going to have to work harder to stay with 1986 because of the economy," said a San Antonio respondent. Hastriter agreed: "It just takes a lot of hard work and long hours and you can do it."

Perhaps the most down-to-earth attitude comes from Isham: "I advertise in 15 to 20 newspapers (in the classified section) and I've been in the same location for 15 years. I buy at the right time of the year, and buy what the manufacturers want to sell. I buy scratched and dented stuff, close-out stuff. I'm here seven days a week and I'm cheap and I go to church once a week and I pay the preacher." It works: He claims consistent sales in a 60- to 70-mile radius.

Comeback Anticipated

A sense that the worst is over and the region is about to start a recovery, albeit a long and arduous one, came through in the responses, especially from the Lone Star State. Carole Russo, owner of The Boat Mart in Seabrook, Texas, indicated that current conditions rated a five on a scale of one to ten. Though that may seem unimpressive, Russo's assessment of last year was only a two. "In the fall it looked depressing, but it's looking up. Hopefully, it will

CLOSEUP

The Dealer Who Dogs It

Rutledge Parker is proud that he has gone to the dogs. The 53-year-old Parker is a leading breeder of Pembroke Welsh Corgies.

Parker owns Breath's Boat and Motors in St. Louis Bay, Mississippi. The dealership, still carrying the name of the man who founded it in 1926, is on six acres along Highway 90, two miles from the water and 50 miles from New Orleans.

The Parkers' hobby was born as a release from the demanding world of boats. "We used to go to the local yacht club," said Parker. "As soon as we would sit down, over would come somebody who had too much to drink, and he'd say, 'Rut, that motor you worked on two years ago doesn't run right. What did you do wrong?' It would, of course, ruin your pleasure. So we decided we needed an escape."

Parker and wife Nash decided dogs would provide the diversion; Pembroke Welsh Corgies became the breed when Nash saw the reigning champion at a show. Since then, the Parkers have bred between 60 and 70 Corgies, 30 of which won championships, an honor awarded on cumulative show point scores. (Championships are distinct from best in show awards, several of which Parker Corgies have also won.)

Corgies served the Welsh as cow herders. Parker describes them as "working dogs, very sturdy little fellows and good companions." They reach 30 pounds, have short legs and no tails. "They are not really rare, but they are not overpopularized either, which has kept the temperament good," said Parker. Corgies, Parker indicates, are the breed owned by the Queen of England.

In a way, the hobby has taken him further than even a well equipped Mako could. During the

Rut Parker says that Herby loves the canine jet set.

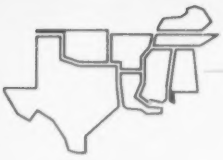
off season, he travels to both general and breed-specific shows to display the current star Corgi. The couple also ventures to England every few years to replenish the stock. Parker will travel to Wales in the autumn of 1988 to help judge a specialty show, an honor he said is rarely accorded an American.

The star of the kennel—and the top Corgi in America—is Herby, an eight year old especially close to Parker's heart because he owned both parents. In fact, the father has accompanied Parker to work for 12 years. Parker has travelled 50,000 miles with Herby, who is a willing member of the canine jet set. "He hops right in the crate," said Parker. "He's a traveling man, and he thinks it's wonderful."

Dog breeders do not get involved for the money. Winning owners get trophies or silver trays. "There is no money in it, it's a losing proposition," he said with a laugh. "I make my money in boats, and spend it there."

The value to Parker is the break from the concerns of a boat dealership. "When I go out with these (dog breeding) people, they don't know I'm in the boat business. So nobody comes to me with a complaint. It has kept me sane. And, you know, it's difficult to stay sane in the marine business." □

—Carl Weinschenk



SOUTH CENTRAL STATES

get better still." Her optimism is primarily based on a successful Houston show.

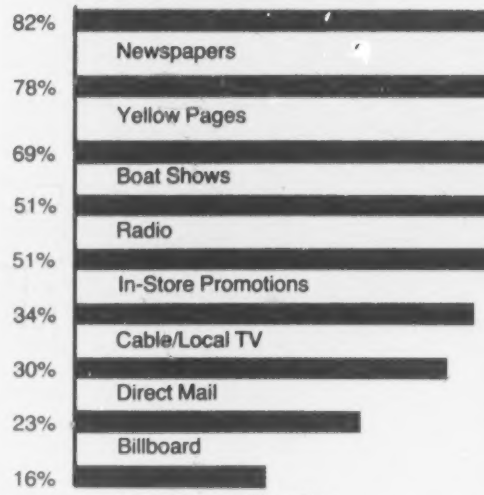
The responses indicating recovery is imminent are interesting. A Dallas dealer: "I think '87 will be better. (It) seems oil and real estate problems in Texas have bottomed out." An improvement in Texas was also predicted by a Fort Worth dealer. Sales, he said, "should be up because of lower interest rates and a better economic climate." A Park Hill, Oklahoma, dealer also feels things are changing. "The weather has been mild and people are able to get out. Interest rates are lower and those that purchased new cars are now to a point where they can afford something else." The shining city of Houston has at least one dealer who is beginning to feel better. "Our area, which is depressed because of the oil industry, should show modest growth in 1987 and good strong recovery in 1988."

Dennis Conner and company have a Gulfport, Mississippi dealer looking ahead optimistically."Business should increase. The America's Cup has more people interested in sailing. We sell entry level boats and believe more people than ever will be buying." A Louisville dealer offered another positive assessment. "All early indicators are up, like boat shows. Also, there has been excellent fuel price stability, and interest rates and long-term availability of money have been excellent." Pure optimism was expressed by Gail McLeod, of McLeod Marine in Pascagoula, Mississippi: "It's going to get better. We've got a lot of faith. We ordered a little over 200 boats this year already...We started out with a little tackle store (in 1981). It got out of hand."

Two outside influences may impact the south central states. The celebrated buying war between Brunswick and Outboard Marine Corporation started, at least partly, because both companies wanted to avail themselves of the package concept. The results will be lower prices for boat, motor and trailer rigs, which are a popular configuration to the millions of south central bass fishermen. The long-term success of the Tennessee-Tombigbee Waterway will also influence the pleasure boating picture.

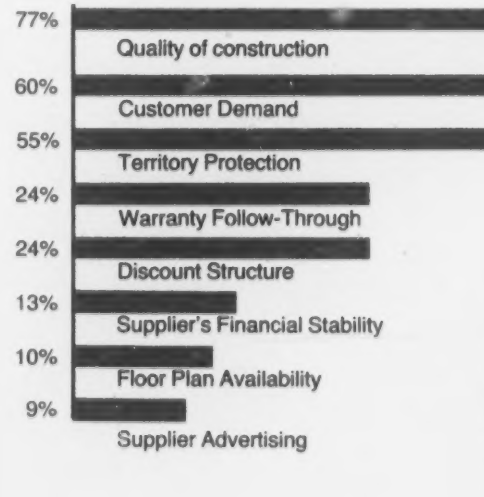
Resort areas, due to out-of-region customers, often have economies independent of local trends. Harold Hinterliter, the owner of a cruiser service facility on Cumberland Lake in Burnside, Kentucky, indicated that he hopes to open a second service facility on the dammed east end of the lake. "Business is doing real well the last couple of years," he said. The local economy, according to Hinterliter, "is better than a lot of smaller Kentucky

SOUTH CENTRAL DEALERS PROMOTION METHODS



Dealers were asked to list their methods of promotion. Leading the list were newspapers and yellow pages. These ubiquitous print tools are used on a daily basis by virtually every household in the region.

SOUTH CENTRAL DEALERS PRODUCT DECISION INFLUENCES



Product decisions are a determining factor in the success or failure of a dealership. Respondents rated the most important considerations: construction quality, customer demand and territory protection.

towns right now."

The Lake Shore Boat Shop, in Cadiz, Kentucky is situated between two of the largest man made lakes in the world. Owner Jim Freels sounds like a man without a care. "My business grows and grows. We have had sales increases every year we've been in business (17) but one (1980)," he said. He feels good about the future. "The economy doesn't bother me in the least. I don't even think about it."

Dealers' feelings about the future generally depend upon the economic base of their state.

The Issues Differ

The region is extremely diverse in climate (economic and meteorological), topography and boating usages. Responses to the BOATING INDUSTRY survey make assessments of conditions in most of the south central states possible.

Arkansas: There is no clear voice among Arkansas respondents, but the impression is that slight improvement is likely. One dealer feels his business will be up by one-third, another sees a 20 percent increase and a third envisions more sales of big-ticket items but with margins cut by competition.

Mississippi: Dealers in this state seem confident good times are ahead. A dealer from Columbus sees better cooperation between dealers. A Gulfport dealer credits lower interest rates. Another Gulfport dealer, whose business is service-oriented, is anticipating a growth year. It is important to note, however, that service businesses thrive when new boat sales slide. The respondent did not indicate how the increase will be achieved.

Oklahoma: The slight consensus is that boat sales will start to recover from the devastating drop in fuel prices of the last several years. Energy-dependent economies are

CLOSEUP

A Place In the Shop

As one of about eight female certified MerCruiser mechanics in the country, it may be easy to portray Gwen McDaniel as a women's libber. The label, however, would be inaccurate.

"I don't have a macho-type attitude," said the Galveston, Texas dealership co-owner. "I like having my cigarette lit. I like having the door opened. I like having my husband pick up the check."

The 41-year-old grandmother's penchant for mechanics predates the women's movement. She grew up in Houston, spending long hours with her father, an airplane enthusiast. "As the youngest of three girls, I had to be daddy's little boy," she said.

When Gwen married Randy McDaniel ten years ago, the emphasis moved from the cockpit to the flybridge. The couple bought a dilapidated 30 foot Egg Harbor. "I did various jobs, painting, reworking the wood, things on the general appearance of the boat. Randy worked on the mechanical and electrical end of it."

Both were employed by Southern Pacific. At the same time, they were getting part-time jobs working on boats. McDaniel's interest in propulsion grew. "I started following him around and getting in his way so he bought me a set of tools and said I could have my own bench," she said.

Finally, boating was made the full time occupation. "Everyone kept asking us for help. Our part-time job was interfering with our full-time job. So we decided to quit and just hang out a shingle." Galveston Marine Center, now five years old, handles Mercury and MerCruiser products. An enlargement of the yard area by a building relocation is planned.

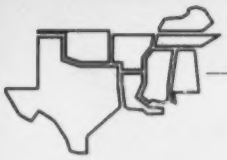
At first, McDaniel worked the dealership's counter, where a growing knowledge of parts enabled her to answer most questions without disturbing the mechanics. It soon became obvious she belonged in a service school. Randy, who attended before her, prepared instructors for her arrival and so there were few problems. Instructors and students, McDaniel said, simply had to be careful about the choice of adjectives when referring to uncooperative engines or equipment. McDaniel is currently back in class earning her outboard certification.

One day Randy and Gwen McDaniel just hung out a shingle.

McDaniel laughs when describing the surprise and initial resistance of some customers to a lady mechanic. After returning from the school, she took charge of the service department and hired a woman to take over her old job behind the counter. "Guys would come in and want to talk to a mechanic. She'd stick her head back and say, 'Hey, Gwen,' and I'd walk up front and their face would just fall. (They would say) 'My God, I've got to talk to a woman after all.' "

McDaniel minimizes the impact of her sex. "Once you get talking to someone who has a problem, it doesn't take too many words for them to realize you know what you are talking about and gender just floats away. It doesn't matter." □

—Carl Weinschenk



SOUTH CENTRAL STATES

unpredictable. For instance, a re-emergence of a strong OPEC would be a boon to the state. An Oklahoma City dealer indicated that improvement over 1986 will stem from an improved economy, more informed buyers and more product. On the other hand, a dealer who does his selling in Tulsa feels sales will be down because of reduced consumer spending and increasingly price-conscious buyers.

Texas: This state has undergone tremendous change during the last ten years. The influx of petro-dollars helped cities such as Dallas, Houston and Fort Worth grow at rapid—some would say amazing—rates. When the price of crude began to fall, the state was hit hard. Not only did oil jobs dry up, but industries that developed along side, particularly real estate, fell into the empty well.

If the survey is any indication, however, Texans, at least in some quarters, think they are beginning to see the light at the end of the tunnel. Of the 25 respondents who addressed the question of whether 1987 will be better than 1986, 17 answered yes. The sense is that dealers are coming to grips with the reality of a less-than-heavenly economy and planning accordingly. "Things appear to be picking up a little for 1987. In '86 our market area was in a state of shock from oil and real estate busts. It seems buyers have adjusted somewhat and are a little more willing to buy," said a dealer from Austin.

The need to work harder and smarter to sustain the same gains that came easily ten years ago was acknowledged: A Dallas dealer has switched emphasis from number of units sold to profits; an Abilene dealer cut product lines; a Waco dealer identifies more aggressive marketing as the key to an expected increase. The axiom that market-share gains are made during bad times because everyone grows proportionally during optimum periods can be aptly applied to Texas.

Texas boasts a long coast line and therefore benefits from Gulf of Mexico (deep sea-like) water sports. Captain James Mason, owner of The Boat Shop in Corpus Christi, indicated that sailing is becoming more popular and that the city and its hotels are working in effective concert with various sailing societies.

SOUTH CENTRAL DEALERS PRODUCT LINES MOST LIKELY TO ADD

Runabout
Outboard
Pontoon
Cruiser
Yacht

Tennessee: Things are going well in the Volunteer State. A Clinton dealer points to less unemployment and low interest rates as the reason. A Knoxville dealer's 20 percent increase is credited to an improving economy and better advertising. The story in Nashville, at least for Furney Irwin, the general manager of Turner Marine, is an extremely happy one. Turner, which is just outside the city line in Old Hickory, is benefitting from the hub American Airlines is creating. "The construction industry is fantastic, the growth of the area is unreal," said Irwin. "The only thing that concerns me is the price of gas going up...We're running well above our projections for this year."

A sense that better times are ahead is evident. The feeling, however, is by no means unanimous.

Louisiana: No agreement but a sense of pessimism emanates from this oil-dependent region. A Lafayette dealer expects a 20 percent increase, while an Abbeville dealer sees no improvement: "I think 1987 will be just like 1986, because of the oil drilling, which is the main employer of the people in this area." A Baton Rouge dealer thinks business will be "about the same or not as good." The word from New Orleans is also mixed. Three responses came from the most exciting city in America. One indicated business was booming, another said no growth was expected and the third commented that things were getting worse. The dealerships are probably in different parts of town.

It is possible to learn several things from these comments:

- The situation in areas not dependent upon oil is much more optimistic than those that are.
- Many dealers in oil and real estate regions feel that the situation has bottomed out and is on the upswing; the unanswered question is whether the optimism is based on fact or emotion. The verdict is by no means universal and many dissenting voices indicate the hard times are here for the duration. It must be remembered that events in other areas—particularly the Mid East and Washington—will play pivotal roles in the economic future of Texas, Oklahoma and Louisiana.
- The businesses that are expecting success are going about things in innovative ways. Tactics include cutting loose unproductive lines, opening new locations and adopting better advertising and marketing techniques.

The richly varied states of Kentucky, Tennessee, Alabama, Mississippi, Arkansas, Louisiana, Oklahoma and Texas offer a rich tapestry of people, ways of life, economies and boating preferences. The fact remains that, whether in good times or bad, people of the region have as close a relationship to the water as any people in the country. It is this, and not the eventual fate of the oil fields and real estate offices, that will keep pleasure boating afloat. Whether times are described as good or not may, indeed, depend upon outside influences, but it is a region where boating will remain among the passions of the people.

The south central region is a place where things come hard. Dealers, for the most part, have no illusion that the rewards reaped in the future will be easy. Many, however, seem to have no doubt that those rewards will come. □

If You've Been Looking For A Boat Company That Treats You More Like A Partner Than An Outlet — **Look to Ebbtide**

190 CATALINA CUDDY I/O XL · CAMPIONÉ 200 · DYNA-TRAK 196 SS LE

We treat our marine dealers like partners because we believe we're in business together. People doing business with people. Not some large impersonal corporate conglomerate that issues quotas for you to meet.

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We're expanding our manufacturing facilities again so our dealers can get quality boats all year long when their customers want them. And with eight national distribution centers, delivery time is kept to a minimum. And that means better service and more profits for our dealers.

We support your sales with national and regional advertising timed to reach your customer when he's ready to buy. We offer literature that presells the prospect. We conduct sales and service seminars for you and your employees. Rapid response on small parts, service and warranty questions within 48 hours.

Richard Brown, left, Arizona angler and bass club president. "This is my second Dyna-Trak. I've fished in other makes my buddies own, but when it came time for me to put down my own money, I bought Dyna-Trak. You just can't beat the handling and performance."

Paul Thun, Salesman, Southwest Marine, Mesa, AZ. "I've been selling boats for a long time, and our Ebbtide line offers the kind of affordable quality other brands just can't match. They're easy to sell."

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EBBTIDE

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Accessories are not just a burden that all dealers must bear. Marine dealers have only just begun to appreciate the role these smaller ticket items play in their overall profit-building.

try as well as to added promotional spending by dealers, distributors, and manufacturers.

Accessories have relatively low price tags but comparatively high markups. The average distributor, according to estimates by the National Marine Distributors Association(NMDA), increases the product's initial price by approximately 10 to 35 percent. The dealer then adds his 20 to 75 percent , resulting in a 30 to 100 percent overall markup per item. Profit margins of 40 to 60 percent for the dealer are the norm rather than the exception.

George Rounds, director of association services for the NMMA, is quick to point out that inventory turns over at a higher rate for accessory items."With the investment of just one dollar," explains Rounds, "a dealer is likely to realize six or seven turns on the inventory, which is much more profitable than boats or engines sales."

Accessory items may be divided into two broad categories: necessities and impulse purchases. The necessities are the staples of boating: life jackets, fire extinguishers, anchor lines, and horns. But when the average buyer visits his local dealership to buy the necessities, he is apt to find a boating accessory that he just *must* have. "On the impulse side," points out Rounds, "he is liable to find something that might make his boat a little bit better; maybe a new waterski rope or handle, extra boat seats, etc."

Accessory sales, of course, are not restricted to single purchases of essential or discretionary products. "Tie-ins are used very successfully by some of the more aggressive dealers," said Rounds. "A dealer creates an entire boating package. For example, for a water skier, the dealer can add in skis, tow ropes, ski bags and rear view mirrors."

Well stocked accessory departments can actually generate fringe benefits for the dealers. "Handling accessories gives the image that the dealer has a full service type of operation," explains Rounds. "And, it also provides an opportunity to pull customers in that already have their boats and motors while building store traffic through an accessory business."

George Farina, manager of Annandale Marine in Annandale, VA, operates a very successful accessory department. In fact, 53 percent of the dealership's profits are attributed to accessory sales, and the store averages an increase of 15 to 20 percent each year. According to Farina, their success is tied to careful merchandising. "We try to be organized and we are particular about how the product appears on the shelf. We also sell a lot of packaged items rather than bulk items," explains Farina.

Lakeside Marine, located in Harrisburg, PA, also relies heavily on merchandising to sell more accessories. In addition, however, they do a considerable amount of in-store promotion. "As the customer walks in, he might get a flyer or we might hand them one with their sales receipt," explains Bob Brightbill, vice president. "Also our salespeople help sell accessories by being informative and knowledgeable."

While Brightbill does not consciously use tie-ins, he encourages his staff to customize boat packages specifically designed for the customer's needs. "I think, by working with the customer, it adds a more personal touch," he says.

Dealers, until recently, had a monopoly on marine accessory sales. Now, competition from lower overhead catalog houses, which can offer lower prices, has hit hard. No longer can dealers afford to let accessory departments slide. Rounds points out, "It (discounting) already has had an effect and it is still there. Aggressive dealers are able to combat it by competitive prices, highlighting installation, and servicing the product later on."

Both Annandale Marine and Lakeside Marine have felt the impact of catalog houses. According to Brightbill, their effect on business gets more and more significant all the time. Both agree that the dealer has far more to offer the customer, and that he should expand on those assets. "In order to compete, dealers have to do something other than stick their heads in the sand," explains Brightbill.

Jerry Larson, owner of Larson Marine in Waukegan, IL, points out that the competition is primarily on more expensive items, such as life jackets, but that he is able to continue a profitable business on the smaller-ticket maintenance items.

The NMMA promotions continue to be used by dealers looking to improve their accessory sales. Most recently, April Accessories Month has been renamed Accessories Savings Month. The promotion, which began as a take-off on National Hardware Week, is sponsored by the National Association of Marine Products and Services (NAMPS), one of the three divisions of the NMMA. NAMPS works through the Marine Accessory Council, which includes representation from NAMPS, the National Marine Distributors Association (NMDA), the National Marine Representatives Association (NMRA) and the Marine Retailers Association of America (MRAA).

Explaining the promotion's name change, Rounds says, "Clearly the thing that draws people in to consider more accessories and to build store traffic is an opportunity to save some money. In essence, we gave the promotion the name that really fits and that might have more appeal to a consumer."

Dealers are encouraged to take advantage of the promotion pieces

made available by the NMMA. The $15 Accessories Savings Month kit contains window banners, counter cards, price cards, and other hanging promotional cards.

Rounds claims that the NMMA has had reports of dealers increasing their accessory business by 300 percent using their promotions. Moyat adds, "We certainly have an indication that NMMA promotions have helped dealers based on both increasing participation in the promotions and by the repeat participation of the dealers."

Manufacturers, distributors, and representatives also contribute to the dealer's overall accessory profit picture. "Manufacturers and distributors have focused on special discounts, rebate programs, and gift items, all geared at saving the consumer money," says Rounds. Some distributors have provided direct mail pieces for their dealers, have worked with dealerships on their store layouts, selected merchandise, and have educated salespeople about accessories.

Dealers have just started to realize that there are profits to be had with their accessory departments.

No one marine industry group is as dependent on the accessory market as distributors. As pointed out by Errol Hymel, NMDA president, "One hundred percent of a marine distributor's business is accessories. After all, they don't really sell boats and motors."

During recent years, Hymel explains, distributors have also enjoyed higher sales figures. "Every year, there are more boats in service. The number of boats that are junked each year is less than the number of new boats on the market. Consumers have to purchase the essential accessory items as well as convenience items, to make boating more pleasurable," continues Hymel. "Sales figures have been up for distributors, by about 5 to 10 percent each year."

NMMA and NMDA representatives are quick to point out that the effectiveness of accessory promotions and sales ultimately comes down to the dealer level. "More dealers should realize that there is profit to be had with accessory businesses," says Rounds.

Rather than thinking of accessory departments as burdens that all dealers have to bear, they should analyze their markets, trying to identify what most customers are in their areas using their boats for, and then build their inventory towards satisfying that market.

The NMDA suggests that dealers exercise caution when purchasing accessory items for the coming season. They should try to buy in proportion to the expectations for the next few months.

The innovative dealers will feature ancillary items like foul weather gear, fishing gear, and tackle boxes from time to time. Complete boating packages should be displayed on the showroom floor to entice bigger and more complete purchases.

Although it is still too early to be absolutely certain, the accessory market for the coming year is expected to remain steady. Since there are more boats on the market and more boaters on the water, industry experts across the country concur that indicators point toward some slight growth for the accessory market, paralleling the anticipated gains of the boating industry in 1987. □

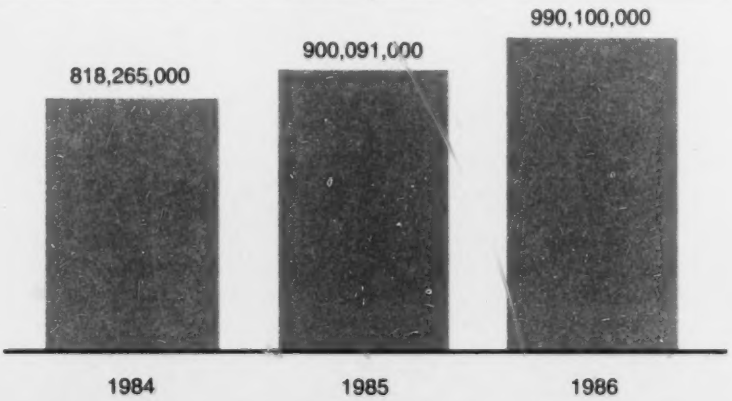
Expectations High For Accessories Market

Marine accessories account for approximately 10% of the business done by the average marine dealer each year. The high retail markup on accessory products, ranging from 30% to 100% of the manufacturers' cost, can account for more than 10% of the dealer's gross profits. Dealers can expect a profit margin of 40% to 60% on each item.

Expectations are high for the next year. Sales figures for the past three years show an average increase of 10%. Last year's total was $990,100,000. Marine industry experts expect the trend to continue.

Distributors anticipate carrying larger inventories to meet increased demand. Distribution patterns, however, will be changing to accommodate the advent of buying groups, catalog houses, and mass merchandisers. Distributors will have to offer better ancillary services to the dealers in order to retain their present customer base. Industry experts agree distributors will not be able to compete on price alone.

MARINE ACCESSORY SALES



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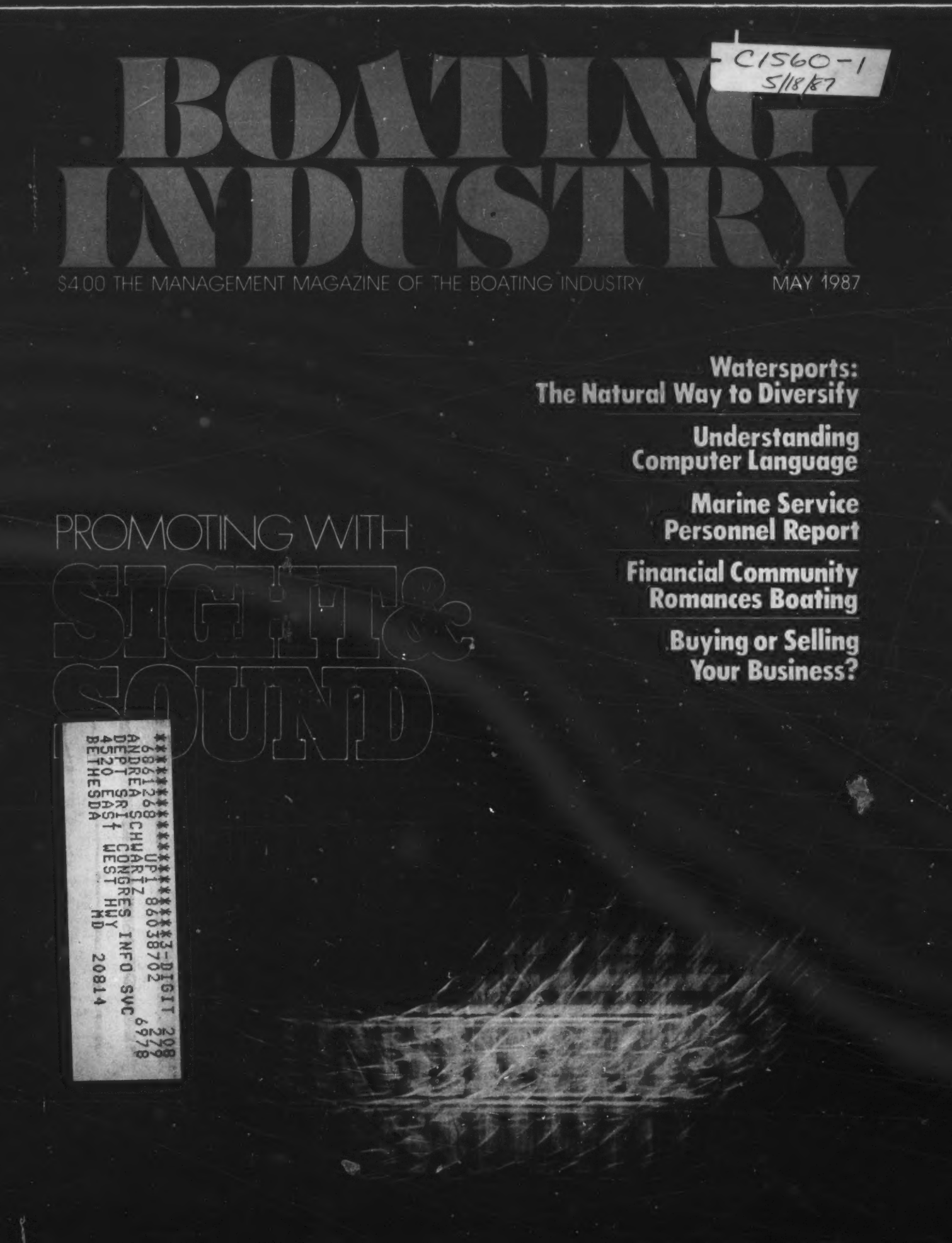

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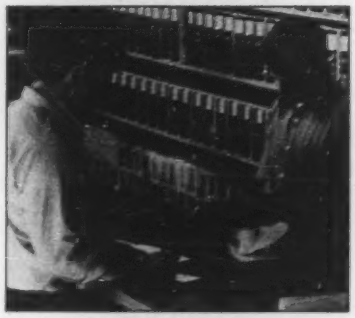

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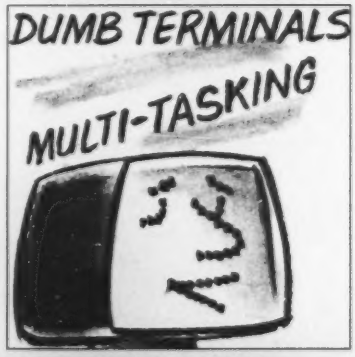

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The Boating Roller Coaster

Pleasure boating has shown remarkable growth and buoyancy since 1982 in nearly every way.

Unit sales in most major product categories have been up substantially the past four years and it looks like '87 will make it five.

Dollar volume has increased even more sharply nourished by increased unit volume as well as inflation. The trend is continuing.

Perhaps most significant of all is the growth in sophistication, assets and all around stability which has taken place at nearly every level of the industry. Hundreds of substantial new dealers have opened up shop. Hundreds of others have expanded their existing facilities or added branch operations. Pleasure boating has become big business. It is getting bigger all the time.

Mega manufacturers call for mega dealerships to properly represent them and that is exactly what we are seeing develop before our very eyes.

Below are unit sales figures for a number of major product categories. The first column shows units sold in 1978 — the last good business year before the four year slump that ran from 1979 through 1982.

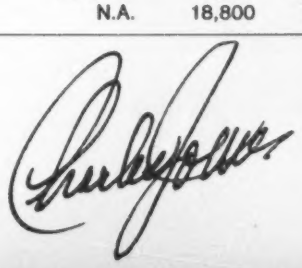
The second column in the chart gives sales figures in units for 1982 — the last year of the recession.

Finally the third column provides a comparison by detailing unit sales for 1986 — the fourth year of the current high.

The comparisons are heartening and demonstrate the tremendous resiliency of the boating field. □

THE UPS & DOWNS OF THE LAST 9 YEARS

	1978	1982	1986
Outboard Motors	450,000	287,000	410,000
Trailers	280,000	160,000	194,000
Inboard Boats	N.A.	7,850	18,000
I/O Boats	90,000	44,500	120,000
Sailboats (Aux. Power)	5,000	3,400	3,900
Sailboats (No Power)	60,000	48,500	33,300
House/Pontoon Boats (Cabin)	N.A.	1,150	N.A.
Pontoon & Deck Boats	N.A.	8,800	N.A.
Canoes	100,000	101,000	80,200
Outboard Boats	331,000	246,000	314,000
Inflatables	N.A.	18,800	30,600



Using Service Personnel to Promote Growth From Within

The argument that the service department is a dealership's most important element is overwhelming. Its dual role—profit center and builder of long-term customer relationships—sets it apart from virtually every other part of the operation. Often, it is the only sector a customer comes in contact with between major purchases and, fairly or not, the reaction to it is key in the decision of where to shop for the next boat.

Consequently, the importance of service personnel cannot be overestimated. These workers must be boat doctors and amateur psychologists, able not only to fix engines but also handle clients in a sensitive and patient manner. Coming into the shop, customers are often upset; upon getting the invoice they almost surely are. How they reflect on their treatment—often conveniently forgetting their own emotional reaction—can be as important in determining whether they come back as the cost of repairs and if the job was done correctly.

Still, evidence exists that many dealerships ignore or grossly underutilize the department, often treating it as a necessary evil. Most dealerships, said Chick Gagen, the owner of the Boating Center, a dealership with outlets in Miami and Fort Lauderdale, treat the service department "like it's back there but they wish it wasn't." Bobby Hulslander of Outhouse Marine in Jacksonville, Florida, added that the neglect often impacts the people who work in the department: "I think most dealers treat the service department more as a necessity than a full link in the chain. For that reason I think they tend to overlook and ignore their service personnel when they really should emphasize them."

Chester Clark, of Clark's Boat and Motor of East Alton, Illinois, feels that attention to the service department differentiates his operation from others. Clark uses money others spend on advertising to upgrade the department, which eventually translates into a more stable and consistent customer base. Many other dealerships, he said, "just don't realize that service is the heart of the business. We have, here in St. Louis, two fairly large dealers that are advertising about $500,000 a year on television and radio, to replace customers that are running away because of lack of service. All those customers are coming here. We thank them."

Clark is incredulous at the opportunities missed. "In the St. Louis area it's a pretty normal thing for six or seven week service," he said. "I think a lot of that is evasion. I think they don't want (to offer) service because they don't want the load of mechanics in the off season. So they get by with as few mechanics as they can, and then tell everybody they can't get to a job for six or seven weeks, knowing that they won't wait that long and will go elsewhere."

Conversations with service outlets for Yamaha, Mercury and Johnson motors and U.S. Marine's service manager suggested many ways to better integrate service personnel into the department and help the department take its leadership role in the dealership.

One of the most important elements is to have the department run by the right person. If the owner of the operation is not comfortable with mechanical things or mechanical men, it is incumbent upon him to find somebody who is. Salespeople and mechanics usually have diametrically opposite personalities: The former are expansive and make their livings dealing with people. The latter are most comfortable crunched in an engine compartment, ratchet in hand, working to the beat of a radio turned up loud enough to drown out everything else. Just as an owner who came up through the service ranks is likely to need a sales manager who understands the special psychology of people who sell, a head man whose experience is in sales is best advised to find somebody who knows mechanics.

An important issue is the work pool available to draw upon. Unfortunately, the dealer is not usually in the driver's seat. Gagen indicates that "it's very tough" to find good people; those contacted almost all joined him in bemoaning the thin talent from which to choose. Among the reasons for this is a perception—and reality in some cases—that marine service is a seasonal business. Another problem is that many mechanics taught themselves on automobiles and are less comfortable in an engine compartment than under a hood. The good ones generally have little trouble getting automotive work and see no reason to get the extra training necessary to work on boats.

Jerry Hodkiewicz, the service manager for U.S. Marine, indicated that the company is planning a long-term drive to draw people into pleasure marine propulsion service. Plans call for step-by-step literature

detailing how a person can own his or her own business. If such a drive is eventually undertaken to recruit people into the service field in general, the current shortage of qualified mechanics may be rectified.

It is vital to find people with whom a mutually satisfactory relationship is possible. For the dealer, a mechanic constitutes a sizeable investment in training and time. The mechanic, for his part, has an equal emotional investment in the arrangement. If a dealer does not get a good feeling from an applicant, no matter what his qualifications, he should not be hired. There will be too many opportunities later for the employee to steal parts and tools, waste time and be a drag on the enthusiasm of the other workers.

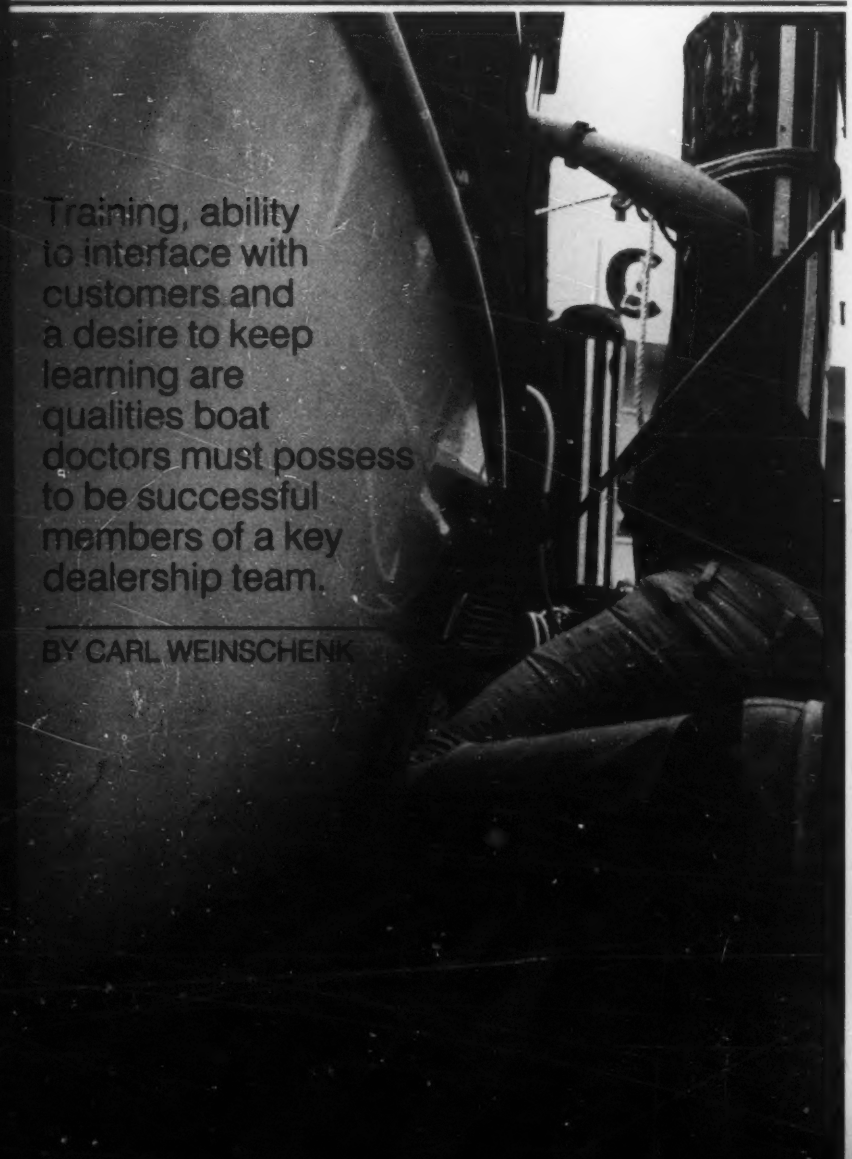
It is important to pay close attention to the prospective employees' temperaments. Many of the reasons a mechanic is likely not to take the training and run are intangibles: he likes his co-workers, he feels appreciated, he feels valued, he feels that *all* things considered, he will not get a better deal down the street. The lesson is two-fold: First, it is important to hire individuals who will fit in. Second, salaries are likely to be roughly comparable between dealerships, so creating an atmosphere where the non-monetary needs and desires of the mechanics are met is of utmost importance.

The overriding elements in getting good people are financial. These issues manifest themselves in several ways. The most important, of course, is paying workers enough to keep them from grumbling. Fair market value depends upon whether the dealership is in a highly competitive area, if there is an abundant supply of mechanically able workers in the area and if the region is depressed. It is important to realize that once people gain experience and training they are worth more and will have to be paid accordingly, even if their heightened skills were garnered at the dealership's indulgence and expense.

It is possible to do some creative things when it comes to salaries. For instance, Hulslander pays people via different methods. "The two (accessory) ladies have a salary plus commission on retail sales. My service manager is on salary, my lead mechanic is basically a contract employee...and my young mechanic is an hourly employee." In this way, Hulslander customizes the task to the reward. It is likely to give the employee incentive, keep him happy and working harder.

Another important financial element is funding the department itself. A great way to dampen enthusiasm, guarantee a high percentage of dissatisfied customers and make mechanics look for new jobs is to skimp on equipment. "The biggest problem is owners aren't willing to put money into it," said Cal Fordham, the owner and president of Housatonic Marine in Stratford, Connecticut. "A shop will produce and make a profit if you give workers what they need to work with. A lot of times they don't."

Thought should be given to what level of training you want the people you hire to have. Of course, if that near-legend mechanic across town suddenly becomes available, pick him up. But in some cases the best idea is to hire an individual with a mechanical knack regardless of his training. "Many times it's better (for them) not to have a formal training because if they have, and they've worked before on mechani-



Training, ability to interface with customers and a desire to keep learning are qualities boat doctors must possess to be successful members of a key dealership team.

BY CARL WEINSCHENK

AVERAGE WAGES OF SERVICE PERSONNEL

	Yearly	Hourly	Weekly
Foreman	$23,973	$9.36	$415
Service Writer	18,600	7.86	342
Mechanic	17,650	7.18	277
Utility Man	11,823	4.57	209

BOATING INDUSTRY asked the salary earned by various members of the service team. Facilities do not all pay employees the same way, so yearly, hourly and weekly averages are based upon different groups of responses.

Marinas surveyed indicated that 22.63 percent of gross profit comes from service departments.

cal things, they've developed habits that are bad. You can't break them in a lot of cases," said Fordham. The thought that good marine mechanics are most often developed by the dealership is echoed by Clark: "You don't find any really qualified people. You have to make them. You get people who have mechanical ability and knowledge and you send them to school and work them with people (who know marine propulsion). Working with people, they learn pretty quickly. Of course, those people have to be willing to help them."

It is important that the mechanics hired are offered adequate training. This is done through "tech reps" who visit the dealerships and, of course, schools that propulsion manufacturers hold. Keeping mechanics well trained makes them more effective in diagnosing and correcting customers' engines, gives them feelings of personal growth and demonstrates that they are important cogs in the machine, worthy of investment.

It is not only the young mechanics that must be trained. In an industry where technology is rapidly advancing, workers of all ages must be kept abreast of developments. "What are you going to teach a man whose been in the business forty-something years?" asked Tandy Counce, the owner of Counce Marine in Memphis. "You certainly are not going to teach him how to tear a motor down again. What he's going to learn is the new product and the problems they've had with them."

Hodkiewicz indicated that another prospective program from U.S. Marine involves providing dealers with the materials necessary to train mechanics in-house. If expensive trips and long absences are made unnecessary, it is likely that the number of mechanics involved and time spent working with each will increase. Hodkiewicz said that no specific details are yet available on the new program.

There are a plethora of things that can be done to heighten the chances of developing a successful service department. Many of them concern, in one way or another, keeping morale high and mechanics *wanting* to do a good job:

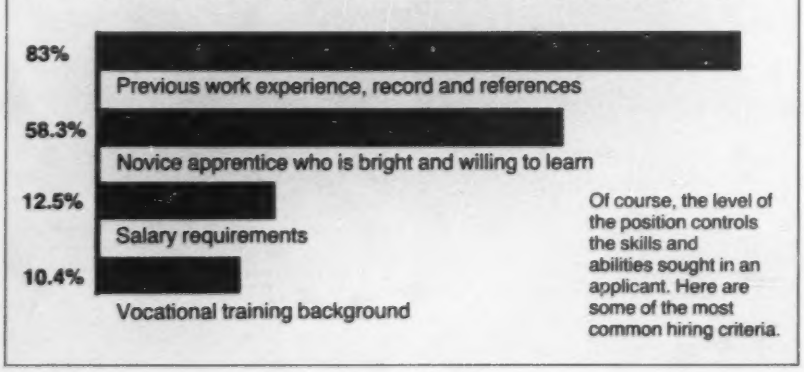
Employ people year-round: "You've got to keep them twelve months a year," said Clark. "You can't fire them in September and go hire some lawn mower mechanics in April. That's what too many shops seem to do."

Key to both recruitment and retention is defeating the notion that marine mechanics only have something to do—and make money—half the year. Of course, in large portions of the country, this is no problem. In the colder climes care must be taken to ensure that there is work all the time. Some ideas for keeping mechanics busy during the off-season: schedule vacations, perform maintenance and expansion on the plant, pre-rig as many craft as possible (of course, the sales force will have to cooperate by a concerted winter sales effort), send the staff to manufacturer schools, run specials to drum up engine work and take in snowmobiles.

Be careful who the mechanics are allowed to talk to: Dealing with concerned (at best) or irate (most often) customers can be a traumatizing experience. According to Fordham, there is a difference between the pleasure marine and auto field, from whence many mechanics came. "In the automotive field they are always back in the shop and they never have that rapport with the customer...In the boating field it becomes more on a personal basis, a one-on-one. The customer tends to ask for that mechanic, he also tends to want to talk to him personally if he is getting things installed, to set it up the way he wants it."

Many shops, however, try to limit contact to the service manager. It's a judgement call to be based upon the level of experience, interpersonal skills and impression created by the mechanic involved.

IMPORTANT FACTORS IN HIRING SERVICE PERSONNEL



Of course, the level of the position controls the skills and abilities sought in an applicant. Here are some of the most common hiring criteria.

Institute a profit sharing plan: Any method by which workers are motivated to work harder is going to help the dealership in the long run, even if it costs some money. This is especially true in service, because no matter how comprehensive the owner's or service manager's powers to observe, an uninterested, cynical worker can slide by with mediocre work and, maybe, slide out the door with a tool or two. With profit sharing, workers are, in a sense, working for themselves.

Survey respondents employ 3.6 full-time service workers, 1.5 part-timers and 2.3 seasonal workers.

Let them have loaners and use the facilities: Forrest Burrnett, the owner of Burrnett Boat Mart in Louisville, makes sure all his people have a boat for the season. Insurance, of course, is the borrower's responsibility. Marine mechanics, he reasons, are virtually always boaters themselves; access to a craft is an invaluable perk and a shrewd investment in keeping them working on Yamahas and MerCruisers instead of Chevys and Oldsmobiles. At the end of the season they should be allowed to buy the boat for a suitably reduced price. In waterfront dealerships, an arrangement may be possible in which the mechanic moors the craft at the facility or even commutes on it, and, while he is working, makes it available as a demonstrator. Also, Burrnett allows mechanics to use space and equipment as time and space allow.

Supplement salary with various perks: Not all dealerships can afford to pay top dollar. There are other things that anyone can offer: Let them have paid vacations, personal days, health insurance (if the cost of membership in a plan is too great, partially compensate workers for carrying their own policies and, by all means, let them know who is footing the bill) and let them pad their bank accounts with overtime. The underlying goal of these perks is to convince employees, consciously or unconsciously, that the dealership is not just another place to work, but a corporation in which to build a career.

Keep as many as possible involved in out-of-facility programs: Said Hulslander: "My service manager and I have been to several boat shows. We may not work the show together. I'm there with an eye toward selling, he's there to see what's new with Mercury outboards and the competition."

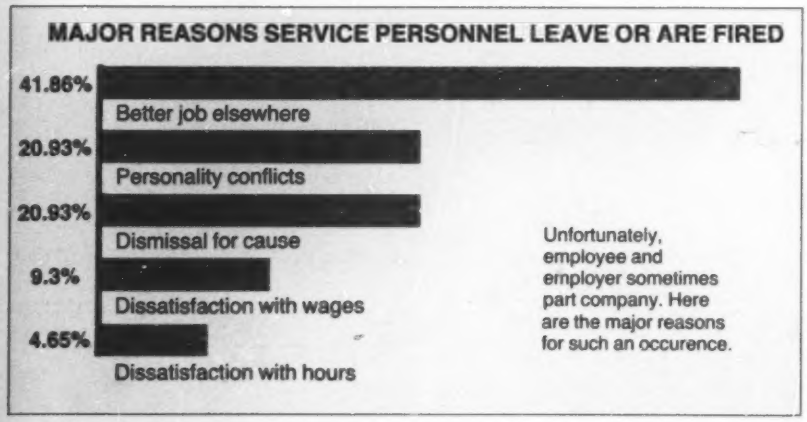
It is also a good idea to keep personnel conversant on engines and motors manufactured by the major vendors not carried in the facility. An individual with a broken motor may not be in the position or, for a variety of reasons, not anxious to utilize that company's area authorized repair facility. Thus, the potential is for far more than one repair; if the job is done right, the dealership may be able to gain a long-term customer by weaning him from one make to another.

Giving partial tuition reimbursements for tangentially related college classes is worth consideration. A young mechanic who is encouraged to take business courses, for instance, will become more valuable to the dealership and may eventually be management material. Of course, there is no guarantee that he will stay long enough to put what he learned into operation. Conversely, however, the good will generated and the promise of continuing education may be the very thing that convinces him to stay.

Consider giving workers free access to the parts department: If a staff is in place that is trusted, allowing unsupervised access to the parts inventory will demonstrate that trust and save a tremendous amount of time. "Every mechanic pulls his own parts," said Clark. "He doesn't stand outside a counter waiting for some parts man to take care of retail service. He doesn't have to wait an hour. He comes right over with his list, comes right into the parts department. You have to trust a mechanic and let him know you trust him. We don't have any mechanics stealing parts off us."

Keep the shop clean: From every angle: the customer (who is paying a big bill), the worker (who is spending 40 or more hours there), and the owner (who has to impress potential new business), keeping the shop clean is a must. "It's very important," said Fordham. "In a lot of cases (the customer) will look at the facility he's taking his boat to and paying top dollar to and see it's a dump. An important thing is to keep the appearance of the building, including the outside of it, as neat as you can. Sometimes it's hard because you are working on a lot of different boats and some of them may be derelicts. But you have to try your hardest."

There are many more things a dealership can do to get the most out of service personnel. Have a complaint or suggestion box handy. Institute a mechanic of the month award. Give them photocopies of letters of thanks from customers. □



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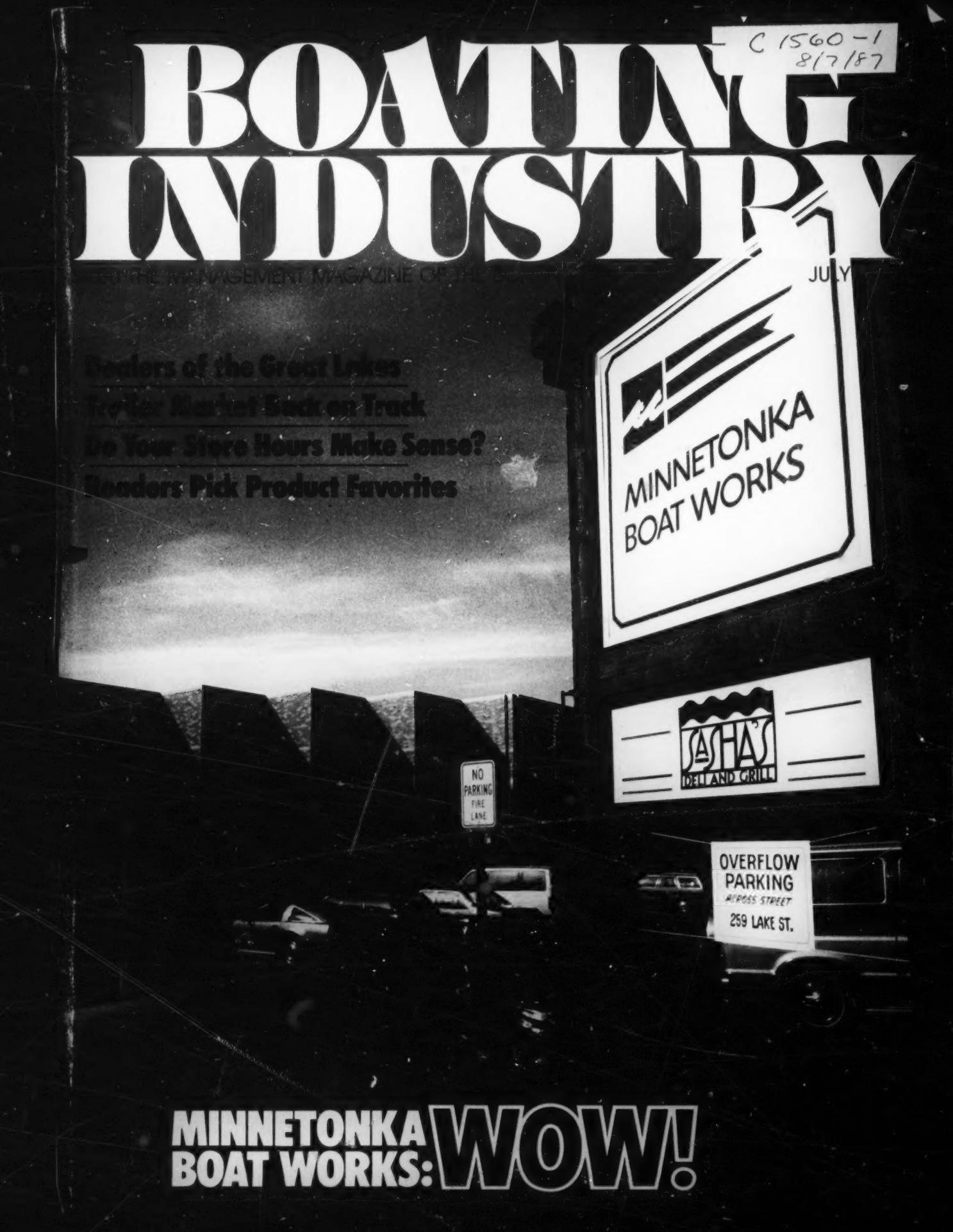
Trailer Market Back on Track

Do Your Store Hours Make Sense?

Readers Pick Product Favorites



MINNETONKA BOAT WORKS: WOW!

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BOATING INDUSTRY

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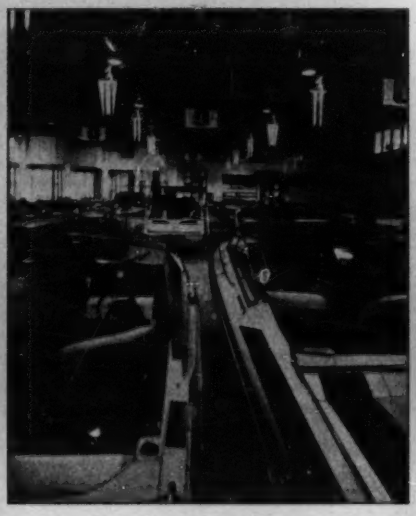

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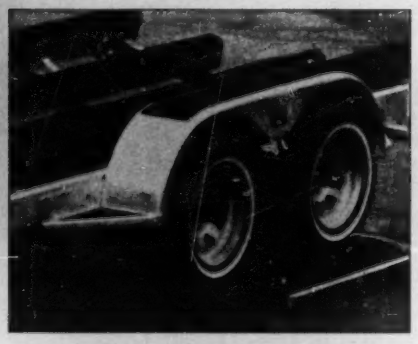

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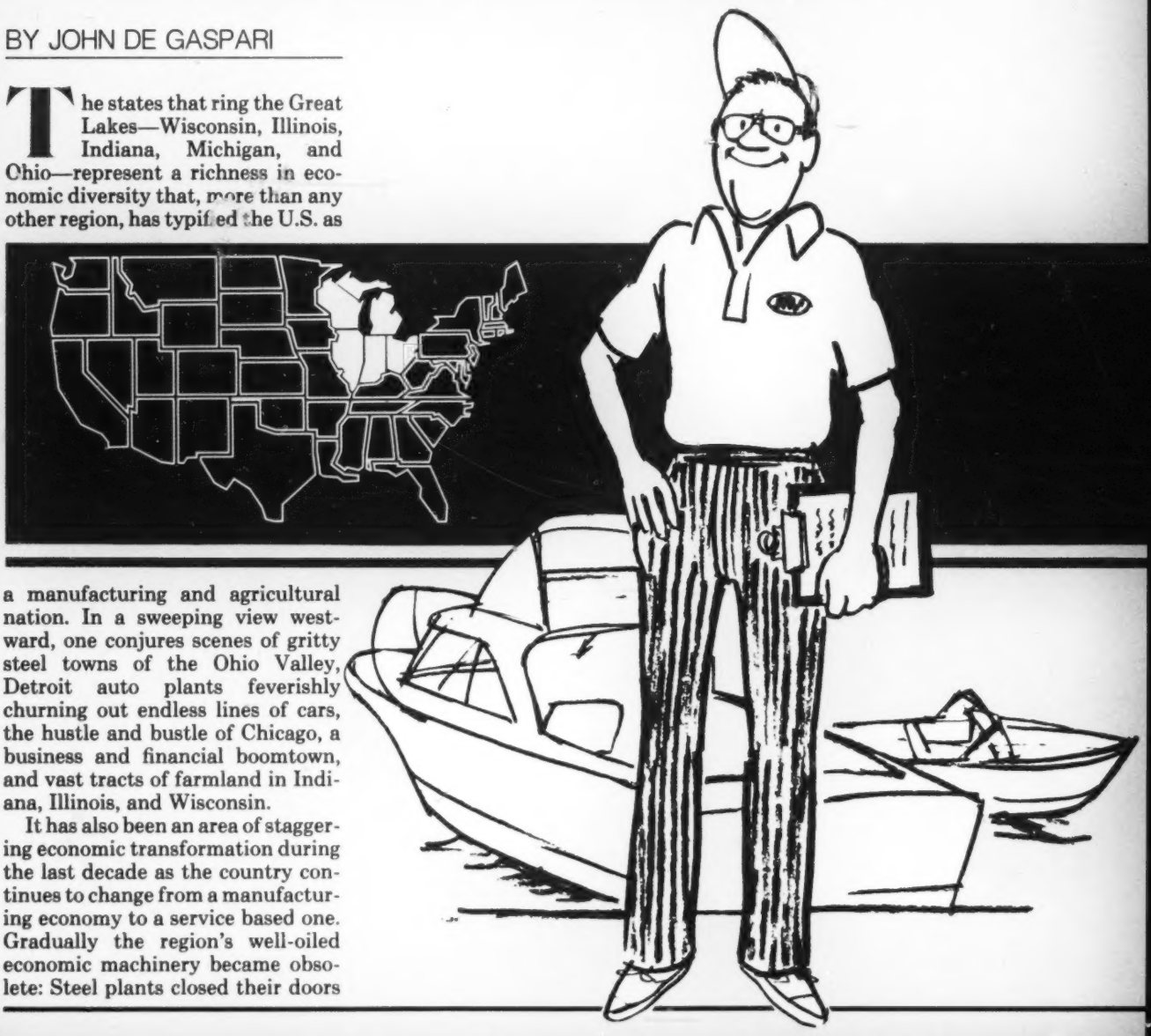
Minnetonka Boat Works in Minnesota is keeping up with the times with an exciting new marine facility.
PHOTO: BOUNDAS

The Great Lakes states have taken some economic hard knocks. Nevertheless, boating remains deeply ingrained among the region's sizeable and enthusiastic boating public.

Dealers of the Great Lakes

BY JOHN DE GASPARI

The states that ring the Great Lakes—Wisconsin, Illinois, Indiana, Michigan, and Ohio—represent a richness in economic diversity that, more than any other region, has typified the U.S. as a manufacturing and agricultural nation. In a sweeping view westward, one conjures scenes of gritty steel towns of the Ohio Valley, Detroit auto plants feverishly churning out endless lines of cars, the hustle and bustle of Chicago, a business and financial boomtown, and vast tracts of farmland in Indiana, Illinois, and Wisconsin.



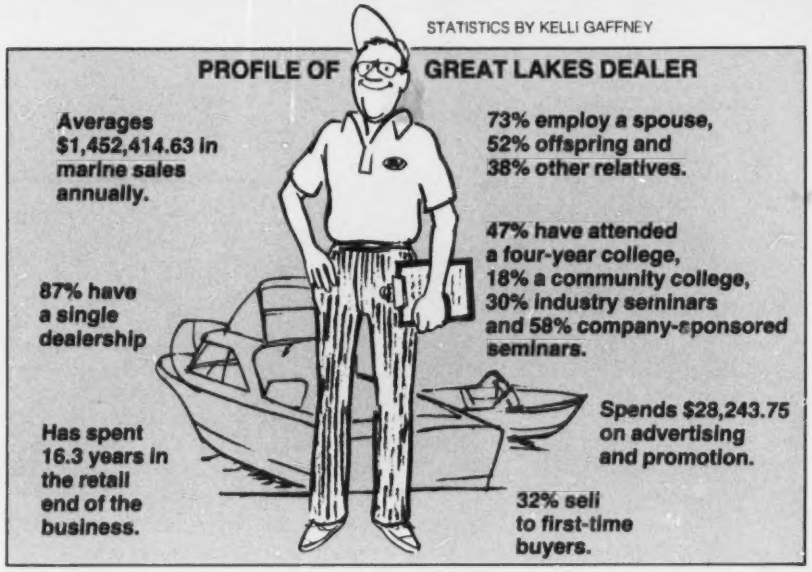
It has also been an area of staggering economic transformation during the last decade as the country continues to change from a manufacturing economy to a service based one. Gradually the region's well-oiled economic machinery became obsolete: Steel plants closed their doors

GREAT LAKES DEALERS

in the face of foreign competition; automakers laid off workers in droves amid a flood of foreign imports; other manufacturing industries, citing lower energy and labor costs, relocated to the Sunbelt. In rural areas, bank foreclosures on farms became a common sight.

Yet through this economic turmoil, recreational boating appears to have fared rather well. A random telephone sampling of dealers from each state who responded to the survey indicated that, by and large, they felt that they were located in areas where the local economy was fairly healthy.

STATISTICS BY KELLI GAFFNEY


PROFILE OF GREAT LAKES DEALER
Averages $1,452,414.63 in marine sales annually.
73% employ a spouse, 52% offspring and 38% other relatives.
47% have attended a four-year college, 18% a community college, 30% industry seminars and 58% company-sponsored seminars.
87% have a single dealership
Spends $28,243.75 on advertising and promotion.
Has spent 16.3 years in the retail end of the business.
32% sell to first-time buyers.

> Boating is deeply ingrained in a region known for its lakes, rivers, and miles of shoreline.

● Barbara Roach, of Roach Marine and Sports, Marion, OH, reported that the local economy is struggling, adding that "it is coming back a little bit and is a little better than it was a year ago." She put local unemployment at about 11%–12%, which is higher than the national average. Marion is on the fringe of a heavy industry area, she said, and many plants have closed their doors. On the plus side, the dealer is near Columbus and Marysville, both areas of higher employment.

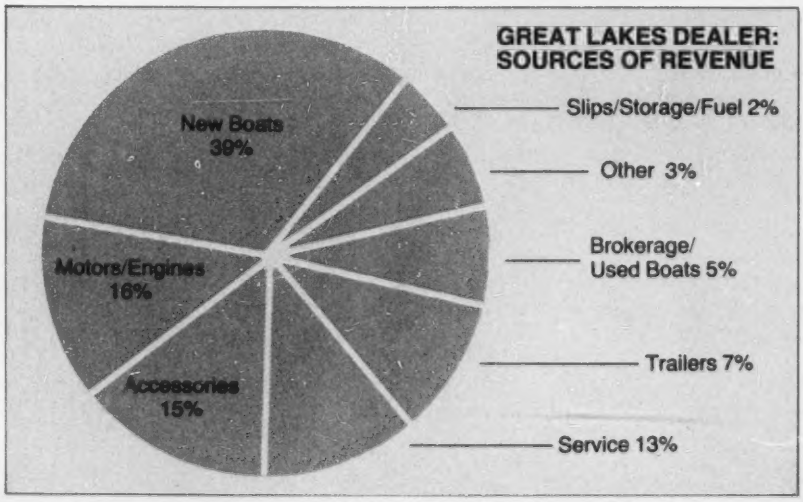
● Helen Lockard, of Carl Stirn's Marine, Aurora, IL, which is about 40 miles southwest of Chicago, reported that the local economy is booming. Some local factories have laid off workers, but that hasn't affected business at the dealership, she says.

● A Wisconsin boat dealer about 70 miles from Madison reported that the economy in his area is "very good." The dealer is in a rural location area and pulls customers from about a 150 mile area. He described unemployment in the area as "not too bad."

● Tom Tyler, of Ft. Wayne Marine, Ft. Wayne, IN, reported that the economy in general is not bad. "There are hot spots and there are cold spots. Periodically we lose a factory and periodically we gain one. It makes people feel good one day and bad the next." He added that the area has seen some bank mergers, which may cause rates to go up. The unemployment level in the area is "stable," he said.

● John Hatfield, of Howe Marine, Indian River, MI, said that the local economy was "very good." The dealer is in a resort-oriented community about 270 miles north of Detroit. Seasonal unemployment can hover as high as 13% during the off-season, and declines again in summer. During the boating season, the dealership stays open 7 days a week from May through mid-September, and Hatfield says that business is up 10%–12% this season from the same time last year.

In fact, boating is deeply ingrained in the region, which is known for its lakes and rivers, in addition to miles of coastline on the Great Lakes. During 1985, Michigan ranked first as the state with the most registered boats: 716,925. Michigan, Wisconsin, Ohio, and Illinois all ranked in the top 11 states, which, together with Indiana, chalk up nearly 2 million registered boats, according to figures of the National Marine Manufacturer's Association in Chicago.



BEST SELLERS
GREAT LAKES DEALERS

BOATS
Runabouts
Fishing Boats
Pontoons
Bass Boats
Cruisers
Cuddys
ACCESSORIES
Electronics
Safety Equipment
Recreational Equipment
Hardware
Accessories
POWER OPTIONS
Outboards
Inboard/Outboards
Inboards
LIKELY TO ADD
Fishing Boats
Cruisers
Runabouts
Pontoons
Performance Boats

The sport's popularity has translated into significant dollars. Overall, dealers throughout the five Great Lakes states averaged $1,452,414 in annual marine sales, including products sold and services rendered. By state, Ohio, where dealers averaged $2,169,492 in annual sales, ranked first. This figure was followed by the states of Michigan ($1,080,106), Wisconsin ($1,054,117), Illinois ($868,000), and Indiana ($836,363).

Buoyed by low fuel costs and acceptable consumer interest rates, sales have continued to climb, reported most dealers throughout the area. Overall, about 71% of dealers in the five states who responded to the BOATING INDUSTRY survey thought that revenues in 1987 would surpass those in 1986; 23% said that they would remain the same, and 6% said that they would decline. Of those, over half based their predictions on the performance of the economy.

The factors most often cited was low consumer interest rates and available financing. John Hatfield of Howe Marine feels that sales will continue to grow as long as the consumer interest rate stays below 10%. If it climbs above that rate, demand will drop. At the same time he is keeping an eye on the prime

CLOSEUP

From Washers to Boats

Thirty-two years ago Wilbur Swallen began selling household appliances out of his garage in Cincinnati, Ohio. Little did he know that three decades later he would be the president of a $130 million a year business.

But that is not Swallen's only achievement. He also is one of a rare breed, an appliance dealer who has succeeded at a marine business as well.

Swallen's Marine, still found in Cincinnati, Ohio, is situated across the street from one of the Swallen's twelve appliance stores which are located throughout Ohio and Northern Kentucky. The marine division itself brings in about $6 million a year; $3 million from boat sales and $3 million from accessory sales. The dealership ranks as the top Stratos dealer in the country and is listed among the top fifty Chris-Craft and Johnson dealerships.

The success of Swallen's marine dealership, which opened in the early '70s, has led to expansion. According to Jerry Putteet, general manager, the marine store just recently started outfitting boats and shipping them to other Swallen appliance locations throughout the two states. "The Swallens have always identified the need in the market and then they've filled it," said Putteet of his employers.

Until two years ago, when Putteet joined the organization, sales figures for the marine and appliance divisions were totalled together. Now the marine division is run separately and figures are totalled independently. "We can see that we are really profitable," explained Putteet.

Putteet feels that while the transition from selling appliances to selling boats may not have been a natural transition, it is an advantage that can't be denied.

Owner Wilbur Swallen and General Manager Jerry Putteet

"Customers recognize the Swallen name; therefore, they buy their marine products from us as well as their appliances. In addition, we generate business year-round," said Putteet. "And, since we have the appliance store across the street, while the wives are shopping, the husbands come over here. We've made a number of sales that way."

The company, specifically the marine division, has faced its share of problems though. "We did have some problems with suppliers, especially since we buy direct rather than through distributors because of our buying power," explained Putteet. "But the suppliers recognized our name and our credit rating. They know they are going to get paid. That is one of the advantages of having been in the appliance business first."

Putteet also points out that some of their local competitors do not recognize the organization as a bona fide dealership—but that problem will soon be put to rest. As Putteet put it, "They will have to recognize us with the numbers that we have."

Future plans for Swallens do not include adding any other product lines. Rather, the company plans to fine-tune their marine operation for even greater profitability. □

-Kelli Anne Gaffney

GREAT LAKES DEALERS

rate, which has begun to climb, although not yet had a significant impact on consumer financing.

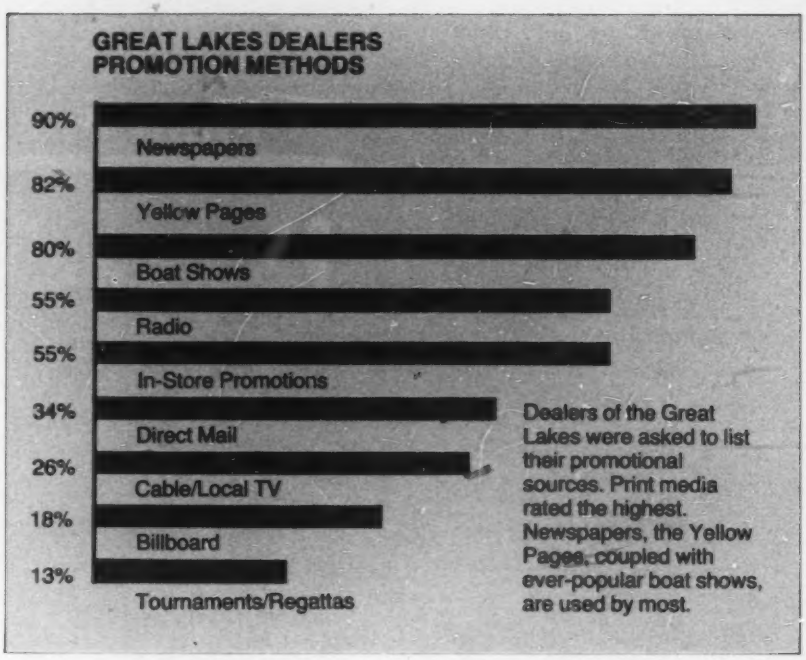
Other factors cited as being important to growth are additional store openings and strong consumer demand for product. Indeed, a few marine dealers expect sales to continue to increase as long as product remains available.

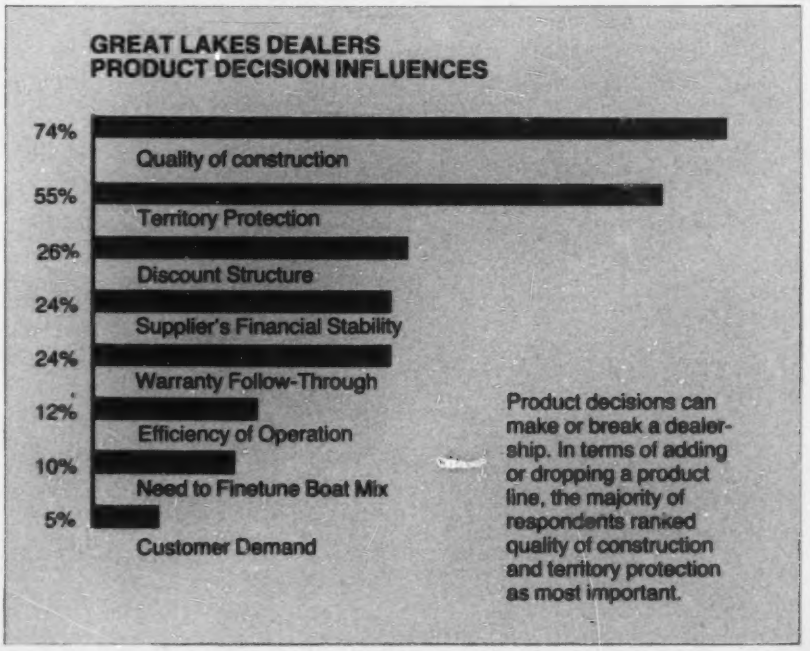
Fishing boats ranked first among the types of craft dealers would be most likely to add.

Runabouts, fishing boats, pontoons, and bass boats ranked as best sellers, which can be explained by the region's many lakes. Fishing boats ranked first among the types of craft dealers would be most likely to add, the survey said. In fact, Michigan, Wisconsin, Ohio, and Illinois each ranked within the top 10 states fished by resident fishing license holders in 1985, according to the U.S. Fish and Wildlife Service. The agency also ranked Wisconsin and Michigan first and second, respectively, as the states fished by nonresident fishing license holders in 1985.

Sailboat dealers in the region gave an enthusiastic, if small, response. One Illinois sailboat dealer whose lines include Laguna, Capri, and Freedom Yachts, reported that by the end of March, his sales were already 60% ahead of last year. "Sailing is in its infancy in the midwest," wrote the dealer, adding that his customers tended to be sophisticated and quality conscious. During the next 12 months he would most likely add a 20 ft lightweight performance daysailer to his line. A Michigan sailboat dealer said that he has seen an increase in interest in sailing, and wanted to add 25 ft to 30 ft sloops to his product line in the next 12 months.

Three Ohio dealers who saw smoke on the horizon had various explanations. One dealer in the Toledo area said that sales would level off and might drop 5% due to "tax breaks, uncertainty in the oil industry, and uncertainty in the car industry." Another dealer, whose lines included bass boats, runabouts, and pontoons, said that while units sold so far in 1987 were up over 1986, profits were down because the rigs tended to be smaller. A third Akron-based dealer of runabouts, fishing and bass boats, and day cruisers predicted that 1987 revenues would remain the same as those in 1986. He wrote that the "market shows signs of being saturated, noted by the number of '85 and '86 trade-ins, financing (is) a





little more stringent, and down payments requested (are) higher."

Location near the water received a high priority with some dealers. One northern Michigan boat dealer described his location on the inland waterway system, 43 miles of interconnecting lakes and rivers with access to the Great Lakes, as a strong attraction for recreational boaters. "It makes it a very nice area for cruising, for people that want to come in and do some reasonably long range cruising. There's adequate marina facilities along the way so that even small boats can enjoy the waterway."

Finding adequate time and expertise to create effective ads is one problem facing dealers.

Dealers across the five states reported that on the average, 32% of their customers are first time boat buyers, reflecting a reasonably healthy number of people entering the sport.

In order to reach the public, dealers spend an average of $28,243 per year on advertising, or nearly 2% of their annual total revenue. About 90% of the respondents advertise through newspapers, 82% advertise through the Yellow Pages, and 80% exhibit at boat shows.

One problem stated by dealers is finding the time and expertise to do effective advertising. Barbara Roach, of Roach Marine & Sports, Marion, OH, described it as her biggest problem. "That's one thing that I wish that there could be more help from the boat companies. We don't have time time to put an ad together. ... We have to scrounge to find a picture with an OMC on it. We need help in that direction." Roach Marine spends about 3% of it's gross on advertising; the biggest portion of that sum goes to radio, the next biggest part goes to the local newspaper, and the third biggest portion of its budget is spent on a local

CLOSEUP

Fishing for Profits

How can a marine dealer sell seven or eight boats with only a $1500 investment? According to Bruce Buschick, part owner and sales manager of Wauconda Boats in Wauconda, IL, the route to go is sponsoring fishing tournaments.

"Between the entry fees and the logo paint jobs on the boats, it costs us about $1500 a year and we can directly attribute six to eight boat sales each year to this type of promotion," explained Buschick. "Anytime, you can attribute that many boat sales to a $1500 investment, it is worth it."

Seven or eight years ago, Buschick and his family re-oriented their dealership from runabouts to fishing boats. According to Buschick, the area was saturated with runabout dealers and the family-run company had to find a different niche in the marketplace.

Soon after, Buschick was approached by two fishermen looking for sponsors for their cable television fishing show. "We tried television sponsorship and found that it offered a lot of visibility. At that time, the local public could identify with the two local fishermen," said Buschick. Unfortunately, Buschick has done little cable advertising since, because the stations in the area are in a state of flux with stations being bought and sold. From that original contact, however, Buschick began sponsoring the two fishermen (who later became his employees) at local fishing tournaments run by the Chain of Lakes Bass Fisherman Association. Buschick and the two original team members handpicked six other team members.

The two team-member employees are supplied with tournament boats each year and their entry fees are paid as part of their employment contracts. The other six members are given the opportunity to purchase new fishing boats at dealer cost. At the end of the year, team members can sell their boats for slightly more than they paid originally. Each of the tournament boats is lettered and rigged by the Wauconda dealership.

Team members are expected to attend and participate in local boat shows. According to Buschick, "People visit boat shows not only to look at the boats but also to talk about fishing."

Wearing their Wauconda hats and shirts, the fishing team members answer fishing and boating questions for local boat show consumers.

While Buschick also does some radio and newspaper advertising, he depends heavily on the fishing tournaments for exposure. "We are basically a small dealership with a small advertising budget," he explained. "If we have half a dozen boats in a tournament, that offers us a lot of visibility."

Buschick explained that a lot of non-boaters—fishermen without boats—attend these local tournaments. They team up with fishermen who have their own boats and, as Buschick explained it, "There is always the potential to sell a boat if a non-boater fishes off one of ours."

Buschick recommends this type of promotion for other dealers but only on a small scale. "Dealers should hookup with a small group similar to our association. These tournaments are for local guys, with $40 and $45 entry fees and $15 a year dues. Guys that fish these tournaments are the consumers, not the ones who fish the larger tournaments."

So, for more innovative dealers like Bruce Buschick, fishing tournaments can be used to reel in the profits. □

-Kelli Anne Gaffney

GREAT LAKES DEALERS

consumer boat show, in addition to its own in-house show.

A Wisconsin dealer who advertises through television and newspapers, agreed that the lack of time and expertise were serious problems in putting together good ads. One possible source of help could come from manufacturers in the form of advice or seminars, he added. On the other hand, he feels that "each market area is individual enough that you are better off basically finishing up the ads on your own, or with the media people."

Effective advertising may be playing an increasingly important role given the stiff local competition that many dealers face. One dealer in Ft. Wayne, IN, reported that his profit margin is slim. "There are six dealers in this metropolitan area and you have to be pretty competitive. If I charge too much I won't sell the boat and if I don't charge enough I can't pay the bills," he explained. He added that a lot of his customers shop for price: "Most of them are the lazy shoppers—they use the Yellow Pages and let their fingers do the talking."

One Michigan dealer reported its profit margin was slightly lower due to a higher competition level. She added that there will be a "stronger demand for units with little or no competition due to design."

When asked about profit margins, Helen Lockard of Carl Stirn's Marine, Aurora, IL, reported "We've sharpened our pencils. What we would normally sell for early in the year, we've been selling at that margin, so we're not getting rich quick. Profit margins aren't going down, but they aren't going up."

Still, Lockard and others in the region, say that demand is high for boats despite the competition. A few competitors have opened second stores in the local area. If anything, the competition does more to promote the boating industry, Lockard added.

The boating industry in the Great Lakes states consists overwhelmingly of family-run businesses, as is the case in other areas of the country. Of those who replied to the survey, 73% said that they employ a spouse, 52% employ offspring, and 38% say they employ other relatives. Still, that doesn't preclude the fact that many dealers find it difficult to find—and keep—qualified help. This is despite relatively high unemployment in some areas. Part of the problem stems from the difficulty of finding people with the right technical skills, as with mechanics. The seasonal nature of the business makes the dilemma worse for some dealers, who can't afford to hold onto mechanics year-round.

Says Barbara Roach of Roach Marine in Marion, OH: "When you are in the boating business you have very particular needs. It's really difficult to find good employees at what we can afford to pay them." Although the area has a big labor pool, she added, many are either overqualified or underqualified.

> "There is plenty of labor, that is, bodies, but very few people trained in the marine industry."

Tom Tyler of Ft. Wayne Marine in Indiana offered a similar story: "There is plenty of labor, that is, bodies, but very few people trained in the marine industry. If I want a mechanic, I have to train him, and most of these guys don't know beans about a two-cycle outboard motor. ... That's been one of my problems. I'm the guy who wears all of the hats around here and juggles all of the balls and I don't have time to do anything." Most of the qualified marine mechanics are locked into the bigger dealers who can afford to pay them a year-round wage. Many of them have been brought up in the marine industry, he added.

Helen Lockard of Carl Stirn's Marine in Aurora, IL, agrees that it is tough to find qualified mechanics. "You can bring them in and up through the ranks, but when you need them you need them. It's pretty tough to keep employed on a 12-month basis everyone that you need to make the operation run smoothly. ... We try not to, if we need help, just to run an ad, because when you are in the heat of battle you have to have someone you can count on, not someone you can't trust."

Some dealers who switch to winter sporting goods in the off-season may be better able to hold on to year-round mechanics. A Wisconsin dealer claimed that he is able to hold onto his mechanics 12 months of the year because he carries snowmobiles.

As with any other area of the country, the nation's premier boating region has inherent advantages and disadvantages for doing business. One rural Wisconsin dealer says that his major disadvantage is that he is too far away from a population center. On the other hand, he is located within about 12 miles from the third and fourth largest lakes in the state.

Other dealers pointed to the seasonal nature of the business as being something of a disadvantage, especially when compared to their counterparts in the South, who enjoy year-round boating. Finding qualified seasonal labor, especially mechanics, appears to be the biggest difficulty there. Some dealers supplement their marine line with winter sport gear, such as snow skis and snowmobiles. Others prefer to remain exclusive marine dealers. John Howe, of Howe Marine, Indian River, MI, which carries only marine products, is open for business 7 days a week during the boating season, and four days a week during the off-season. During the off-season, he refinishes old wooden boats—one of his specialties—and "shovels snow off the roof," he said.

Yet despite the inherent difficulties of running a business in the Great Lakes states—sluggish local economies, high unemployment, the seasonal nature of business, shortages of qualified labor, and rising costs—many boat dealers remained optimistic about the marine business in their areas. Most of the difficulties that they mentioned, such as finding qualified labor or rising costs, are by no means unique to the Great Lakes. □